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# ***JPRS Report***

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## **Soviet Union**

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***International Affairs***

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## SOVIET UNION INTERNATIONAL AFFAIRS

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'POLEMIC' CRITIQUES SOVIET ATTITUDES, PROPAGANDA ON ARMS

Moscow CENTURY AND PEACE in English No 5, May 87 pp 29-33

["A Letter to the Editor" by Aleksey Pankin under the rubric "Polemic":  
"New Thinking, Openness and Soviet Peace Movement"]

[Text]

During Gorbachev's visit last year to the Volga area, a remarkable episode was shown on TV: at a meeting with workers Mikhail Gorbachev told them about the Soviet approach to international affairs, about the Soviet conception of security and the importance the USSR attaches to strengthening its defence. One of the workers present said: "That's right. Let them be afraid of us!" Mikhail Gorbachev replied that we will not forego our security, but at the same time we do not want to frighten anyone, we do not even want anyone to be afraid of us.

I was not surprised by the way Mikhail Gorbachev presented the security problem to his listeners. During my lectures on the international situation or during talks with friends I noticed more than once that public concern about the world affairs is constantly growing. Under openness, Soviet people are becoming more aware of the bitter and cruel truth about the Great Patriotic War. Lately we have witnessed a good deal of information about the catastrophic consequences of nuclear war.

Paradoxically, all this new and rather antiwar information in combination with mass media news about the aggressive actions and intentions of the Reagan administration, NATO bloc and growth in international tension create the notion in a considerable part of our public that we are living, so to speak, in a "prewar world". Many people seriously expect a surprise attack and are afraid of a repetition of 1941, and react accordingly. I, for

example, was frequently asked whether our defence efforts were sufficient if we spent 20 billion roubles, and the Americans—about 300 billion dollars? A great deal of anxiety was evoked by the prolonged unilateral moratorium on nuclear tests. The Soviet proposals at disarmament talks are sometimes taken as a concession to the West. In other words, more often than not you can meet people who think "let them be afraid of us", i. e., strictly speaking, they approach "peace from the position of strength".

This way of thinking in our society is quite explainable and even natural. In the long run, we (even those who were born after the war) well remember how we were attacked and how we were unprepared.... But we must understand that such notions came from the prenuclear era and are in contradiction with the new political thinking. In no way do they help remove the fear of the "Soviet military threat" in the West—the main reason why a considerable part of the people in the West still vote for an arms buildup.

In addition, this so-called syndrome of mistrust among the USSR population greatly restricts the freedom of the Soviet government's foreign policy manoeuvre. For example, it is difficult to say whether the Soviet public will support today, especially after the US refusal to join the moratorium on nuclear tests, new unilateral measures such as the reduction of Soviet nuclear arsenals or even their freezing for a certain period. Such steps,

to my mind, would favour strengthening our security since they would be the signs of the confidence in our own power and would mean a final break with the defective logic of the arms race, to say nothing of the fact that they would bring confusion in the ranks of militarists exploiting the "Soviet threat" and help strengthen the positions of the Western sober-minded forces.

What should be done with such moods? Maybe the Soviet peace movement wants less openness in order not to frighten people and even to embellish the world situation? Of course not! The answer lies not in less, but in more openness. And I want to think about this as an ordinary peace movement member and as a specialist in world affairs.

If the Soviet peace movement wants to form public opinion in the spirit of a new political thinking, the first thing it should recognize is that views in the country on the problems of war and peace are very complicated, contradictory and dissimilar. Their systematic study employing sociologists must be the primary task. Only by understanding the reason of real fears and hopes of Soviet people, their attitude to Soviet foreign policy and determination of the level of knowledge and comprehension of international problems will it be possible to cultivate a new political thinking purposefully and not at random, to provide the results sought, not those which are counterproductive. Such information is also useful for foreign policy propaganda—the West should finally understand that public opinion does exist in the Soviet Union, too, and that the peaceful initiatives of the Soviet leadership are quite a job for it.

Of course, the degree of understanding or incomprehension of nuclear-age realities by the population can be revealed only by concrete researches, but even indirect signs can show that "nuclear illiteracy" in the country has not yet been overcome. Let's remember the documentary "Parity" shown just before the Gorbachev-Reagan summit in Geneva. Most of the people polled by the authors of the film could not say what military-strategic parity is. Note how "people from street" speak keenly and interestingly on the TV

programme "Vremya" (Time) about home affairs and how dull they are about, for example, the moratorium.

But parity, as well as the moratorium, are the key notions of the nuclear age and present historical situation. These words are used dozens of times over radio, on TV, in newspapers and magazines every day. I noticed that speeches by Soviet analysts in international affairs addressed to a mass audience about a new thinking, security concept, parity and even denials of some Western fabrications are very often carried out in a general way. That means that it is directed at an audience that does not possess proper knowledge, and this is quite natural, of problems and concrete realities used for generalizations, is frequently conducted in the manner which the audience does not understand. And this happens not because our analysts in international affairs are bad (on the contrary, I think that almost all of them are more qualified and have a broader outlook than their counterparts, say, in the USA) but for other reasons. Let me tell you about my experience. When I am asked during my lectures on the international situation about military parity, it is always difficult for me to find a proper answer. There is not much official data about the Soviet Armed Forces (though, the volume of the published military statistics has increased during the last 5-7 years). Of course, there are Western evaluations, but, first, are they correct, and, second, have I the right to reveal them to a broad audience? (In general, sometimes the matter in this sphere runs into absurdity: We better know Soviet missiles by names given to them by the West). As for me, I as a rule answer cautiously and in a general way.

I think there is another reason of our tendency for general, and that means not very convincing, talks. The matter is that when we begin to ground the correct principles of a new thinking, we discover that maybe our country's leadership did not always proceed from them. But it is not yet a custom to recognize our mistakes. In 1983 the USSR left the negotiations on the reduction of medium-range missiles in Europe and began the deployment of an additional number of SS-20 missiles in

response to the appearance of American cruise and Pershing-2 missiles in Western Europe. Some time later we renewed the negotiations and dismantled the additional number of missiles. One question suggests itself: does this mean that retaliatory measures proved to be unnecessary? Now the USSR has agreed not to take into account for a relatively long period of time the nuclear weapons of Great Britain and France and conducts talks on removing American and Soviet medium-range missiles from Europe, i. e., in fact, on returning to the situation existing in the middle 70s, before beginning the deployment of SS-20 missiles. But were these missiles so necessary at that time? Whatever the answers, it is illogical not to pose such questions.

I think greater openness in discussing Soviet defence and foreign policy will make a new thinking more convincing and understandable to the broad public, and our home discussion will become more mature. In addition, Western analysts, whose task is to guess about Soviet military capabilities and who use this widely for anti-Soviet aims, may lose their jobs.

Mass media play a great role in cultivating peaceful notions in the Soviet public. We see now the beginning of the process of the revaluation of some methods in the work of international journalism in the USSR and the appearance of criticism of covering foreign events. Most often we hear reproaches in thematic monotony of materials. That is true, but I believe that excessive attention to the homeless and hungry in Western countries is not the chief drawback of our journalists. In the long run, we have in this case only an exaggerated attention to existing problems. A worse thing is that we often receive rather inaccurate covering of important international events in the press.

Some time ago I listened to the commentary on the Korean war of 1950-1953 in the "Chronicles of the Crimes of Imperialism" on the radio programme "Mayak" (Beacon). All the time the commentator spoke about "American aggression" against KPDR and did not say a word about the fact that the invasion was per-

formed under the UN flag and military units (though symbolic) of England, France, Australia, Belgium, Colombia, Canada, Ethiopia, Greece, the Netherlands, New Zealand, Philippines, Thailand, Turkey, Luxemburg and South Africa took part in it. Why did he ignore these facts essential for understanding the situation? Was he lazy to consult the textbook of history? Or did he consider that their mentioning would justify the crimes of imperialism? In that case it would be more honest to speak his doubts. It was said so many times that history must not be corrected by discarding the real facts. Just imagine the perplexity of a Soviet person, who after this commentary will hear, for example, over "Voice of America" that the Korean aggression was a "UN international mission".

Or take the burning events of today. I cannot understand, reading the Soviet press, although I want to very much, the role of Libya in Chadian affairs. . . .

TASS interpretations of many important foreign policy statements of Western leaders sometimes resemble the vast polemic commentaries to difficult-to-read texts from which only few lines were left. From year to year we read about the "US uncontrollable increase in military expenditure" and about the excessive swelling of its military budget although it reduces it in real terms during several years. Is it not worth mentioning to the broad public that the considerable part of the American military budget is used for salaries of servicemen, pensions for the retired and veterans? The knowledge of this fact makes it possible to look somewhat calmly at the gigantic figures of US military spending.

Another example: the press writes widely about the growing aggressiveness of American imperialism and analyzes militaristic statements of President Reagan and Secretary of Defense Weinberger. At the same time, it practically does not say anything about the fact that the greater part of energy of the present administration, according to my observations, is spent for "whistling" and that it is more decisive in words than in deeds. Much talk about striving "to put socialism into a dustbin of history" ended in its small-

scale and cowardly actions, if compare them with the general scope of preparations, like the occupation of Grenada or the bombing of Libya.

I, naturally, do not call people to portray the Reagan administration as a peaceful one, in fact it is really the most extremist American government of recent decades and, apparently, for many years ahead. But the reduction of military budget, its structure and heavily restricted capabilities are also facts. Well, an interesting thing is that nobody restricts their coverage. Soviet scientific journals write about them and they are analyzed in Soviet books. But the fact that their way onto the pages of the mass press is quite difficult is the result, to my mind, of some instinctive inner orientations of many journalists dealing with international affairs which impel them to edit the real picture and display the inertia accumulated in past years from which they free themselves with more difficulty than journalists writing about home affairs.

I believe that the Soviet peace movement is vitally interested in supplying people with varied international information based on a true complex of facts. This will greatly help remove the inner tension from the conscience of many people, unfounded fears and establish the true scope of real threat. To improve the positive processes in international journalism, the peace movement could act as an organizer of a programme for a regular critical analysis of covering world events in our mass media.

Another sphere which the Soviet peace movement can and must use more effectively is the spirit of openness.

One of the dangers of the aggravation of international tension and increase of confrontation between capitalism and socialism is that the moods of "cold war" fanned by imperialists in Western societies can to some degree poison us and draw us into the race in this direction.

There are already examples of this. Some of our film makers have responded to the films in the "Rambo" and "Red Dawn" ilk with "Single Cruise". Today it has become popular and even fashionable to criticize this film which depicts quite far-fetched and unreal situation when Soviet people kill Americans rather naturally and in great number (by the way, I personally do not know such examples in history). But where were we when the film was just released on the screen? Did we protest and call on the public to boycott it?

The duty of Soviet peace activists is to display vigilance so that no one in the Soviet Union should stoop to such polemic and waste our moral capital gained lately.

To sum up, I should like to say that a new thinking presupposes the existence of the old one. Old thinking, like all phenomena in the sphere of social consciousness, has a strong inertia. It should not be taken for granted that the truly revolutionary views of our political leadership on the problems of security, war and peace, and on global problems will be understood and accepted by the masses immediately. Soviet people are disposed to a new thinking. Nevertheless, its dissemination and propaganda is not an easy matter. It requires the revaluation of many values, revision of habitual notions, in other words, there is a need for reconstruction. This process has already begun, it is gaining momentum and Soviet peace activists' moral and political duty is to make their own contribution to it and make it irreversible.



APPOINTMENTS TO GOSTELERADIO, AIN POSITIONS ANNOUNCED

Moscow ZHURNALIST in Russian No 6, Jun 87 p 62

[Article: "Appointments"]

[Excerpts] Vladimir Anatoleychich Andreyev has been approved as program director of Central Radio Broadcasting on Foreign Countries at USSR Gosteleradio. He was born in 1939, graduated from Moscow State University, and has worked at USSR Gosteleradio since 1967. He has been a section editor, editor and head of a section, head of the information section, and since 1979 deputy chief editor of the Main Information Editorial Office of Central Radio Broadcasting on Foreign Countries at Gosteleradio.

Igor Semenovich Modnov has been approved as a political observer of the Novosti Press Agency. He was born in 1930 and graduated from the Moscow State Institute of International Relations. His journalistic activity began at the Sovinformburo. He has been an editor and observer at USSR Gosteleradio. He worked as a Gosteleradio correspondent in the FRG and Czechoslovakia and as a representative of the USSR Journalists' Union in the International Organization of Journalists (Prague, CSSR). Since 1986 he has been the deputy chief editor of the Main Editorial Office of AIN.

Nikolay Mikhaylovich Fedin has been approved as a member of the Board of the Novosti Press Agency. He was born in 1931 and graduated from the First Moscow State Pedagogical Institute of Foreign Languages. He has worked at AIN since 1960. He has been an editor-translator, deputy head of the translators' section, responsible secretary of the editorial office, and deputy chief editor of the Main Editorial Office. From 1979 to 1986 he worked as head of the Information Section of the USSR Embassy in India (Delhi) and as a counsellor. Since 1986 he has been chief editor of the AIN Main Editorial Office.

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## COMMENTARY ON TOSHIBA-KONGSBERG AFFAIR

Moscow MOSCOW NEWS in English No 31, 9-16 Aug 87 p 5

[Article by Yuri Bandura]

[Text]

THE TOSHIBA KIKAI Co of Japan and the Kongsberg Vapenfabrikk of Norway are in the news around the world. Rims of paper have been written about the "Toshiba and Kongsberg affair" in the two months of the ballyhoo started by Washington. In recent days though the "affair" seems to have taken a different turn.

Just to remind you briefly what is at issue. Several years ago the Toshiba sold four numerical control milling machines to the Soviet Union. The hardware for them was made in Japan and the software in Norway. There was nothing unusual about this commercial transaction in which all the usual formalities were observed.

It had been long forgotten, but two months ago, Washington suddenly claimed that the sale of the equipment had violated restriction rules imposed by COCOM, the Consultative Group Cooperation of NATO and Japan for Multilateral Control of exports of "strategic goods" to socialist countries, thus doing tremendous harm (worth 30 to 180 billion dollars!) to Western security.

The US exploded with militant indignation. Tokyo and Oslo were branded as traitors of the interests of the Western camp. The US Senate amended the foreign trade bill banning Toshiba and Kongsberg exports to the US for three to five years. The Pentagon was entitled to claim "damages" in view of the harm done to the security of the US and its allies.

The US president, however, condemned this action the other day in his radio address to the nation saying: "It's a little like closing the barn door when the horse is trying to get back in." The barn in this case is COCOM, and Japan and Norway are the two horses.

Why this change of heart at the White House? This is perhaps because the whip cracking in America was heeded both in Tokyo and Oslo. Washington's allies publicly admitted their "guilt" and confessed their sins, and promised

never to do it again. They did it knowing all along that they had committed no offence.

More than a year ago Japan's Ministry for International Trade and Industry looked into Toshiba's contacts with Soviet foreign trade associations and did not discover any violations of COCOM rules. Similar investigations in Norway this spring came to the same conclusion. Can it be since then some new facts have surfaced? Yes, they have.

Speaking before 200 Japanese industrialists the other day Professor H. Karatsu of Tokyo University said that, back in 1979, Pentagon experts discovered that the noise from the propeller screws of Soviet submarines had sharply decreased. But that was at least three years before Toshiba signed the contract for delivery of its equipment to the USSR. Naval directories published in the US and Britain last year also indicate that there was a three-year gap between the reduction of propeller noise and deliveries of Japanese equipment to the USSR.

The facts are so convincing that the "repentant sinners" are starting to beat a retreat. The Japanese diet was informed the other day of the view shared by the government that "a certain connection (between the delivery of the equipment and the reduced noise - Yu.B.) is not ruled out, but that there is no hard proof." The government today is supported by the Japanese military whose spokesman told journalists: "The United States' claim about the milling machines link with propeller screws of Soviet submarines is exaggerated... it would be difficult to discover a direct link between their sale and the reduced noise."

In other words, the White House started a brawl with the allies over "colossal damage to Western security" where, in fact, there shouldn't have been a brawl. But why? There are different opinions on this.

An Antenne-2 commentator feels that the three-year ban by the Senate on Toshiba deliveries to the US was a result of the fact that

"the US deficit in its trade with Japan is reaching considerable proportions (it was 59 billion dollars last year - Yu.B.). For this reason, Washington would be pleased to scuttle Japan's major company", which as a matter of fact exports to the US each year goods worth four billion dollars. According to the Nihon Keizai Shimbun, the mouthpiece of Japan's business world, Japanese industrialists think that Toshiba is a victim of a preemptive blow: "conservative hawkish officials of the US Defense Department are cashing in on the Toshiba incident while there is a growing sense of crisis over Japan's high-tech breakthroughs."

But this seems to be only part of the story. Ronald Reagan knew what he was talking about when he mentioned "the horse" trying to get back in. When, last November, the US asked the COCOM member countries (all NATO countries excluding Iceland and including Japan) to widen the lists of goods banned for exports to socialist countries, the allies balked. The "horses" were unwilling to stay in the "barn", where they were denied economic "fodder". It was after the November meeting that Washington started to create a scandal around Toshiba and Kongsberg.

It is hard to say if the US will succeed in extorting from Japan and Norway "compensation" for "damage done to security", something neither Tokyo nor Oslo are guilty of. But Washington's hopes for greater COCOM restrictions have increased because its partners have proved accommodating. While the din from the trumped-up "affair" was growing, the US raised before its allies prospects of making the COCOM restriction rules an international agreement (at the moment COCOM is an organization based on a gentlemen's agreement) which would provide for punishment of those who violate it. Assistant Secretary of Commerce for Trade Administration Paul Freedenberg said that the governments of the COCOM countries have plans to address to their parliaments at the end of the year a proposal on linking the COCOM rules with their legislation.

Washington's goal is patent: to drop an "iron curtain" on the economic exchanges of the Soviet Union, and other socialist countries with the West, to put a brake on our process of perestroika, if not to disrupt it.

But this process continues anyway. The New York Times admits that as far as the system of control over exports of "strategic goods" is concerned, the Administration has let it become a "monster that swallows jobs and profits". At the moment the US lists as "strategic" 40 per cent of goods produced by civilian industry, and the annual losses due to the restrictions run into nine billion dollars a year. The US cannot carry the burden single-handed, so it is trying to put the "horses" into the COCOM barn.



## CZECH VIEW OF INCREASING CMEA INTEGRATION

Budapest CMEA in English No 1, 1987 pp 52-55

[Article by Jaromir Matejka]

The significance of direct links between the economic organizations of the CMEA member countries was stressed already in the Comprehensive Programme of Socialist Economic Integration. Since then a number of measures have been taken for the development of that form of cooperation. Recently it has become evident that the wide and all round application of such measures is most urgent. Direct connections between the economic organizations of our countries must be considered as one of the fundamental ways of living socialist economic integration to an essentially higher level meeting the requirements of the present process of economic intensification. However, the actual state of direct relations does not yet correspond to the possibilities and needs of the socialist community.

The degree of the progressive role of direct links is determined by a series of circumstances. Direct relations are, first of all, irreplaceable means for the transition from traditional forms of cooperation to the predominance of the exchange of goods, to modern, integrated cooperation affecting all spheres of economic and social activities of the organizations involved. Such interactions can embrace not only foreign trade activities but also scientific research, construction work, exchange of technologies, combination

of available resources, the establishment and utilization of capacities, joint decision on marketing policy and sale, data processing etc., including the social and cultural sphere. Cooperation so to speak covers all the stages and embraces all the aspects of the process of reproduction.

The nature and aims of direct links between the economic organizations of the CMEA member countries entail an important distinctive feature and that is the elimination of any kind of mediators' activity by any body or organization. Such direct contacts are objectively indispensable, moreover they are the condition of initiative for integration on the level of productive economic units. The point is that direct contacts are the sole mode of cooperation enabling organizations to do their job concretely and in detail and to respond to changes with the proper speed.

However, the right of organizations to establish direct links must be coordinated with the operation of the economy as a whole and be in conformity with the economic accounting responsibility of the organizations for the effectiveness of the measures of international cooperation as well as for the fulfilment of their obligations under existing economic agreements, etc.

Direct links of economic organizations can manifest themselves in the following ways:

agreements and contracts on international specialization and cooperation, the results of which are, as a rule, an improved division of labour, structural changes in the economies of the CMEA member countries, increasing the social productivity of labour and the saving of time.

combination of means for common targets (in production, research, R & D, marketing etc.) while maintaining the organizational forms and structures of the parties to the agreement.

establishment of new organizational units (for example joint centres, institutes, working places etc.) subordinated to the parties to the agreement or to the appropriate economic and scientific research organizations, the establishment of facilities with joint efforts or the foundations of international economic organizations (joint enterprises, associations and societies).

All those forms of direct contractual relations cannot be categorically defined since in the course of their realization they may intertwine, be combined, or metamorphose. Their common characteristic must be the long-lasting economic effect resulting from international cooperation and specialization in the different spheres of economic, scientific and technical activities. The independent corporate bodies entering in contractual relations can be different organizations

industrial or transport enterprises and financial, scientific research and design organizations).

Due to the fact that direct links are established between economic organizations in the CMEA member countries with centrally planned economies, it is highly important to designate their place in the national or coordinated management systems, their compliance with the aims and targets of state plans and interstate agreements, as well as with the coordinated plans, etc.

It is also necessary to shape the conditions under which such connections can be realized in concrete cases of direct and everyday relations between economic organizations. This does not exclude informing central authorities about such connections or their sanctioning, especially when new international economic units are to be established.

In the Czechoslovak economy all such progressive forms of improving cooperation between organizations are given particular emphasis in the present stage of transition to the intensive way of development. Their utilization is one of the fundamental conditions of the effectiveness of structural policy and of the corresponding development of mutually complementary production structures in the cooperating countries. This is highly important for the formation of the structure of the engineering industry, electrical engineering and metallurgy and in particular for structural policy related to specialization within the engineering industry (units, component parts, etc.) which cannot be arranged without direct connections between economic organizations, their initiative and responsibility.

Direct links can play an important role in the reduction of the economic dependence of the countries of the community on imports from capitalist countries and in assuring the necessary conditions for more rapid scientific and technical progress. A number of modern and timely requirements for the development of priority aspects such as robotization and electrification, biochemistry, and

gene-engineering as well as for the greater mass production of consumer durables and others can be met, as a rule, only by uniting the efforts and resources of several CMEA member countries and their economic organizations. This process is particularly important for Czechoslovakia due to the extremely wide range of goods manufactured in the country, which at present cannot be provided with the necessary comprehensive research basis, and due to inadequate production in a number of industries because of small series production or deficiencies in mass production etc.

Many years of experience of the continuously growing participation of the Czechoslovak economy in socialist integration certify that such problems cannot be solved by the cooperation of the central authorities alone. Extensive and all-round direct links between economic organizations are also necessary.

At present the application of extensive direct links between economic organizations has just been started. The socialist countries are looking for ways of a common approach to the concept of direct links and their organizational forms, their role in the integration process, and the practical conditions of economies open to each other which are indispensable for direct links over a wider scale. Even the most extensive form of cooperation, being at present specialization and coproduction, goes through numerous phases. It often fails to transcend limits of barter or is confined to production. Sometimes it does not even result in a growth or specialization which might create a springboard for the intended structural changes.

There are practically no direct links in the mass production of cars, television sets etc. though we do not reach the world standard of either labour productivity or technical and economic parameters in those fields. The majority of joint organizations come into existence through an extremely complex chain of mediators, in particular on behalf of the top central authorities which have to

overcome the barriers due to the internal mechanism of management or its divergencies in the CMEA member countries. Besides, that, the joint organizations are, in many cases, not of the independently accounting type.

This diminishes the responsibility of economic organizations for the efficient realization of agreements. In addition, their interest is also weakened by the uncertainty in the operating conditions of that form of direct connections.

This situation can be explained by a number of reasons. The first is divergencies in the national economic management systems of the CMEA member countries. Economic units (like to central authorities), when organizing direct cooperation, proceed from different economic criteria and parameters, such as criteria of efficiency, compulsory indexes in state plans, prices, rates of exchange, nature of incentives, credit facilities etc. It also involves differing interpretations of the degree of economic independence of organizations, inter alia as regards investments foreign trade activity, etc. This is why the wider and closer the envisaged economic cooperation between organizations (for instance, cooperation not only in production but also in research, investments, foreign trade, etc.), or in the establishment of a joint organizational unit, the more divergencies have to be overcome and the greater number decisions by the responsible central authorities are needed.

Consequently, the immediateness of links is lost, this proves that, as direct links are concerned the coming together of the structures of the economic mechanisms has not yet been sufficiently realized. As a matter of fact, we have here two aspects, conditional on one another, and related to one and the same process: the further systematic development of socialist economic integration. The coming together of the structure of the economic mechanisms is not only an essential condition of the whole development of direct connections on the level of both central authorities and organizations, but also its objectively necessary result. On the other

hand, direct connections will stimulate the coming closer of structures, joint management instruments coordinated at a central point are necessary mainly to assure that the economic units speak the same language and act in accordance with the interests of both economies concerned and that of the community as a whole. The coming together and improvement of the national management instruments can only be realized concurrently.

Secondly, the management systems themselves also have some elements retarding the establishment of direct links between economic organizations. For example in the Czechoslovak economy the indexes of efficiency (profit and loss) of foreign trade with the CMEA member countries still do not have the necessary effect on the total results of organizations of independent economic accounting (associations, enterprises), in particular on wages. So the necessary economic pressure aimed at the effective development of direct connections is not present.

Thirdly, integration and direct links are also hampered by a series of subsidies and the redistribution processes balancing a significant portion of the divergencies between wholesale and contractual prices, primarily in exports or creating different correlations of those prices in exports and imports. For example, when it comes to retail prices higher taxes can be levied on imported consumer goods than on similar domestic products. Such practice isolates, to a certain degree, domestic and contractual prices, diminishes their role in planned structural changes (to be realized by means of cooperation) specialization and other direct connections). Besides that, the significance of imports from socialist countries as an instrument of economic competition on the domestic market is also reduced.

Fourthly, there are some problems in the integration mechanism itself. They mainly consist of the absence or non application of real exchange rates or coefficients between national currencies (between the levels of domestic wholesale prices of the CMEA mem-

ber countries) and the mutual non-convertibility of national currencies even into transferable roubles. And yet exchange rates are necessary for comparability of the results of activity by national commodity producers of any given economic unit, consequently, also for the solution of a number of economic questions by way of direct links.

That is the reason for the inadequate role of coordination of the balances of payments within the framework of the one-sided quantitative approach of balancing bilateral payments and the inflexible control of mutual trade through quotas in which a considerable quantity of coordinated traded goods are expressed in natural quantities.

Consequently, specialization and cooperation based on direct links are held back by the necessity to balance the values of imported and exported products, as well as by the lack of authority of the cooperating organizations to freely dispose of goods under given instructions. Little flexibility and delays in deliveries under those restrictions and quotas (often together with their exclusive sale through foreign trade organizations) weaken the chances of cooperation, in particular where, due to the influence of scientific and technical progress, the structure of the users' demands and other factors rapidly change existing conditions.

The quite unbalanced state of resources and demands has an additional retarding effect on direct links in various spheres of the economy of some countries, weakening the positions of customers and users in direct links, so that, at the level of national economy, a lack of the necessary collective stimulation of the effectiveness of innovation tendencies is felt i.e. the stimulation of the integration of the activities of economic organizations aimed at the all-round satisfaction of demands. For example, it is sometimes known in advance about a planned product that there will be a shortage in it and the product will be realized with worse technical and economic parameters or at a higher price than

analogues on the market of developed socialist or capitalist countries.

That may lead to a situation in which the further development of direct links becomes less important from the viewpoint of economic units than from that of the state. This can be overcome only partially by obligatory objectives by the state plan. In addition, they are sometimes in conflict with the interests of the organizations of independent economic accounting.

An obstacle of common activities between economic organizations of several countries may also be the simultaneous deficit in mobile reserves in all fields, for example, the absence of possibilities for investments of the joint utilization of various resources, including currency reserves for technical development and trade. All that, together with the strict limitations on material, financial and labour resources and given a rigid territorial system, the foreign trade monopoly and other factors restrict direct cooperation between organizations of the countries of the community.

The establishment of uniform conditions for the evolution of direct links between economic organizations of the CMEA member countries is certainly a lengthy extremely intricate process. In addition, the coming closer of the management systems of the CMEA member countries and improvement of the mechanism of their mutual cooperation, postulate not only the existence of such conditions. It is necessary to have a uniform mechanism incorporating all forms of interaction of the countries of the socialist community including direct connections both on the level of central bodies (joint planning activity, coordination of economic policy, etc.) and between economic organizations of the socialist countries.

The comprehensive approach to the establishment of the systemic preconditions of all-round development of direct links between economic organizations of the CMEA member countries seems to require the coordinated solution of the following problems:

— improvement of the national systems of planned management by a definite orientation towards integration. The measures to be taken to that end are e.g. the mutual coordination of domestic and foreign conditions (especially contractual, world and domestic wholesale prices); evaluation of the effectiveness of foreign trade relations according to the criteria of the plan, in planning processes as well as in economic accounting; authorization of organizations to place their products to the socialist world market, exclusion of elements weakening or retarding integration (subsidies, taxation including differentiation in taxes on home-made and imported commodities); elaboration of flexible structures and forms of cooperation etc.;

— the coming closer of the structures of the economic mechanisms of the CMEA member countries particularly in the fields decisively affecting cooperation. It concerns the approach of viewpoints concerning the criteria of efficiency and the means of economic stimulation of foreign relations, the degree of economic independence of organizations (especially in the sphere of capital investments and foreign trade activities), the system of deductions, taxes and prices, and credit facilities etc.;

— improvement of the integration mechanism, primarily by increasing the role of the transferable rouble, the

rates of national currencies and their exchangeability, coordination of balance of payments and the relevant exchange policy, multilaterality of accounting, the functions of credits and interest rates of the international banks of the CMEA and their reserves, the legal aspects of international economic relations etc.;

— assuring the conditions for the all-round development of the integration of the socialist economies, in particular of the conditions for a higher degree of mutual openness through the observance of their domestic and foreign trade balance so as to allow the elimination of deficits in different fields of production and trade and the accumulation of reserves for the increase of supply of goods on the socialist world market; the excessive number of restrictions on the mutual trade imposed by domestic limitations quantitative and value quotas in trade must be gradually reduced, while mutual trade should be utilized for economic competition between economic organizations of the CMEA member countries.

The definition of general conditions for the establishment of direct links between economic organizations and their successful development are an integral part and one of the main ways of the improvement and bringing closer the economic mechanisms of the CMEA member countries and of the further development of the socialist integration mechanism.

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ECONOMIC MECHANISMS OF EUROPEAN CEMA COUNTRIES ANALYZED

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[Article by S. Shavleyev and O. Ivanovskaya, candidates of economic sciences, under the rubric "Socialist Economic Integration": "An Analysis of the Economic Mechanisms of the European CEMA Countries"]

[Text] The economic construction experience of the countries of the socialist commonwealth is becoming increasingly varied and productive in terms of results. Purposeful improvement of the economic mechanisms governing the functioning of the economy reflects the objective striving of the socialist state to create the organizational and economic prerequisites to ensure a steady strengthening of the national economy, a considerable acceleration of rates of socioeconomic and scientific and technical development, maximum efficiency in the use of material, labor and natural resources, and an orientation of economic growth toward a steady rise in national well-being.

These processes are characteristic of practically all the European CEMA member countries. At the same time, considerable importance is being ascribed to creating an effective system of economic responsibility on the part of enterprises for the rational utilization of production resources, to raise the interest of all elements in the national economy in the effective utilization of both live and social labor. And this is understandable, inasmuch a shift of the economy to the path of intensive development presupposes, as an obligatory condition, an improvement in the way existing scientific and production potentials are used, an increase in the output of final production calculated per unit of expended resources.

A commonality of ideas and a gradual equalization in the level of economic development of the European CEMA countries is making it both possible and necessary to draw the structures of their economic mechanisms closely into line with one other, without denying the peculiar features of their functioning. In solving this problem, a large role is being played by study and mutual application of the experience which has been accumulated by the socialist countries in the spheres of planned management of the economy and of improving economic mechanisms. The objective basis for the study and mutual utilization of our international experience derives from the uniformity of productive relationships which exist in the socialist countries, from the commonality of their basic problems of social development, and from the orientation of their economic growth toward the solution of problems of improving national well-being.

A characteristic trend in the development of the economic mechanisms of the socialist countries can be described as being a growing diversity in the specific forms and methods of economic management within the bounds of a increasingly strong commonality of basic management principles. The new edition of the CPSU Program stresses that "the importance of the experience accumulated in the socialist countries is not a transitory thing. The past decades have enriched the practice of building socialism and have clearly revealed the diversity of the socialist world. At the same time, the experience of these decades testifies to the enormous significance of the common natural laws of socialism... Utilization of these common natural laws under the specific conditions existing in each of the socialist countries -- this is the basis for their confident movement ahead..." (1)

The significant changes happening in the last two decades in the managerial mechanism of the European CEMA countries has served as a stimulus to rapid development of comparable studies in this area. Such research is increasingly aimed at discovering the most progressive elements of management experience and determining the potential and the conditions for applying these elements in the mechanisms of other countries.

The fact is that, at the same time that general natural laws exist, specific practice is characterized by differences which find expression in ways and means of socialist economic management and which are conditioned by the special characteristics of the countries involved. Among these specific characteristics, we should first of all mention the achieved level of social and economic development, the degree of involvement in the processes of the international division of labor, their territorial and sectoral production structure, management traditions they have developed, and the specific features of the historical path they have followed. Besides this, these differences are determined also by the specific way in which problems of economic development are reflected in the economic policy of the fraternal communist and workers parties and of the governments of the socialist countries.

The variety of specific historical ways and means of administering economies represents the basis for a wealth of collective experience in socialist economic management. But administrative solutions that have already justified themselves in the practice of particular countries cannot be effectively applied, without careful analysis and creative interpretation of international experience, to the conditions which exist in other countries. Such an approach makes it possible to move ahead with greater confidence, to experiment in a purposeful way, to seek out the most acceptable organizational and economic solutions, and to improve specific parts of the overall system for planned management of a socialist economy.

At the present time, the economic management practice of various countries is characterized by an increase in the operational management independence of the primary cost-accounting units of the economy, and this presupposes a strengthening, not a weakening, of centralized, planned direction of the national economy. Experience shows that the effectiveness of centralized planning and administration is not related to an increase in the number of indicators, directed from above, that govern the activity of economic

production units. Real effectiveness here depends, first of all, on how successfully, in their plans, the central economic management organs solve the strategic problems of social and economic development, determine the most important macro-economic proportions, and select ways and means of exerting an influence on the primary cost-accounting units (prices, financial and credit levers, long-term economic norms, conditions for entering foreign markets, etc.). This problem and ways for its solution, as is known, was examined at the June 1986 CPSU Central Committee Plenum, where it was indicated that "on one hand, we must continue to strengthen centralized principles in managing the national economy... And, on the other, we should do our utmost to expand the rights and economic independence and to increase the responsibility of enterprises and associations for the results of their activity." (2)

The basis for strengthening centralized management in the CEMA member countries lies in improved national economic planning (the core of the entire mechanism which underlies the functioning of a socialist economy). It is precisely in improvement of the system of planning that the greatest reserves for accelerating the social and economic development of the CEMA member countries can be found. Achievement of this goal is, to a significant degree, tied to an increase in the role of long-range planning, which is called upon to ensure that all spheres of the national economy are pointed toward a single goal and the formation of its territorial and sectoral structure. The necessity of increasing the role of long-range plans and of broadening planning horizons is determined by the magnitude of the social and economic problems confronting the socialist commonwealth, and by their complex character. Increasingly full use of the achievements of scientific and technical progress, which, under conditions of intensification, has become a decisive factor for the development of production, also demands the development of systematically implemented technical and economic measures for the long-term future. In this direction, we should particularly single out the importance of expanding planning horizons and of formulating a system of mutually-related plans that includes prognoses, the working out of long-range programs and goals, long-term (15-20 year), 5-year and current (annual and biannual) plans, as well as complex, special-purpose programs and basic trends for social and economic development during the period to the year 2000.

Note should be made of the balance method of planning, which has become widespread in the European CEMA countries. In the GDR, for example, central economic planning organs are working out a system of balances which includes more than 1000 of the most important types of products. Recently, micro-electronic products, robot equipment, automation equipment, and biotechnology have become the basic subjects of balancing at the national economic level. At the same time, the GDR State Planning Commission is being held increasingly responsible for the development of production balances, particularly for those sectors upon which acceleration of scientific and technical progress depends. On the basis of the national economic balances, combines in the GDR are then working out from 600 to 1000 material and value balances. The strengthening of balance methods of planning is looked upon here as a basis for ensuring the equilibrium and stability of plans, both on the level of combine activities, and on the scale of the entire national economy.



The strengthening of the planning system, the increase in its effectiveness and stability, and the transformation of the 5-year plan into the leading form of national economic planning in the European CEMA countries are contributing to the growing role which is being played by conceptual preparation of plans. Thus, in Hungary, they have evolved the practice of intensive pre-planning development of a large number of concepts and variants (up to several dozen) relating to the most important problems of social and economic development for the 5-year plan.

In the GDR, an improvement in the scientific basis for making long-term economic planning decisions is being ensured by the development of concepts of scientific and technical progress, which are finding expression in sectoral and national economic development concepts and are being adopted in the form of a state plan for development of science and technology. The tasks set by this plan are being passed on to the combines and their enterprises by means of directive indicators (commodity production volume, effectiveness of scientific and technical measures, a production renewal coefficient, savings of raw materials, supplies, power and human labor, profits from the sale of licenses).

And so, analysis of the experience of developing the economies in the CEMA countries testifies to the fact that, when examining the objective factors which determine the limits of centralism in the planned management of the economy (and, correspondingly, the extent of the relative management independence of enterprises), it is necessary to make a distinction between the level of socialization of the means of production (formal and real) and the effectiveness of the practice of centralized management of economic life, and the objective necessity for it.

Development of the productive forces and intensification of the social character of production in the European countries of the socialist commonwealth objectively require a strengthening of real centralized management of the economy. But this in no way presupposes stricter regulation of all aspects of the activity of economic production units. At the present stage, as underlined in party and government documents of the CEMA member countries, such an approach does not ensure the conditions necessary for social and economic development -- "scientific and technical progress will not be sufficiently accelerated if the role of the basic production units -- the associations and the enterprises -- is not increased and if their activities are not reoriented. The center of balance of all operational management work needs to be shifted to the local level -- to the labor collectives..." (4)

An increase in the effectiveness of centralized management of the economy in keeping with the extent of development of the productive forces cannot be achieved at the present time on the basis of limiting the management independence of primary production units and of reducing the share of resources left at their disposal. The effectiveness of this process is determined by society's ability to solve the key structural problems of social and economic and scientific and technical development, and not by the quantity of directive indicators and the amount of financial resources accumulated in the state budget. V.I. Lenin wrote: "But it would be inadmissible to forget

that, defending centralism, we are defending an exclusively DEMOCRATIC centralism... We are constantly confusing centralism with arbitrariness and bureaucratism." (Footnote 5) And further, V.I. Lenin writes: "For bureaucratic interference in PURELY local (oblast, national, etc.) questions is one of the greatest obstacles to economic and political development in general and, in particular, one of the obstacles to centralism with regard to the serious, the important, the fundamental." (6)

In recent years, a process of broadening the rights and increasing the responsibilities of economic production organizations has been going on in practically all the CEMA countries. At its basis lies a fundamental change in the forms and indicators of planning, in that a distinction is made between the strategic functions of management and the current and operational ones. Qualitatively new relationships are being established between the economic center and the enterprises. At the same time, both a series of general features and tendencies as well as a considerable differentiation of approaches to their practical realization can be observed. The most common elements are the expanded rights of enterprises and associations in formulating their production programs (with the aid of economic contracts) and their increased independence in the sphere of wages and economic incentives, and also in the field of price formation.

The increased independence of economic production organizations within the fraternal countries is being realized within the framework of various forms of centralized administration. Thus, in East Germany, Romania and Czechoslovakia, this is being done on the basis of traditional directive planning. In Bulgaria, centralized planning is being combined with rather broad use of indirect (parametrical) methods of regulation. In Hungary and in Poland, most national economic sectors are not being assigned directive plan quotas (although the management's economic planning organs the right to do so and use it in cases of necessity). In Hungary, the direct assignment of quotas in physical terms, with capital investments specifically earmarked for corresponding development of productive capacities, is being maintained within the basic sectors (the extracting industry, power, metallurgy, heavy machine building, and the like).

Large combines have a special role in the economy of the GDR. They bear responsibility for realizing directive plan quotas, for balance work, for developing and carrying out plans of scientific and technical and of economic development, for the social development of their collectives, for satisfying the national economic requirements for their respective products, and also for meeting foreign needs. In recent times, there have been changes in the system of management at the level of the combine. This is no longer an organ which stands above the enterprises. Within each combine, a leading enterprise has been designated and its production determines the profile of the combine. In order to fill this function, such an enterprise must have the scientific and technical and the economic potential, as well as a level of production efficiency, that will permit it to set the scientific and technical and the economic policies for the entire combine as a whole. Moreover, there is an increasingly evident tendency in the GDR toward an averaging out of the

conditions under which the combines function; equal or closely similar requirements for economic operation are being formulated on the level of industry as a whole and of its large sectors.

Within the USSR, beginning with the 12th Five-Year Plan, there has been a fundamental increase in the independence of enterprises and associations in the area of foreign economic activity. The resolution of the CPSU Central Committee and the USSR Council of Ministers "On Measures for Improving the Management of Foreign Economic Relations" envisages the creation at enterprises and associations of foreign currency withholding funds for the financing of export-import operations. By using these funds, as well as of foreign currency credits from the Foreign Trade Bank, they are able to update production on a more timely basis by importing machinery and equipment when necessary. At the same time that their rights have been broadened, the economic responsibility of enterprises and associations for fulfilling plan quotas or export agreements has also grown. In the case of unsatisfactory export activity, damage caused to partners is reimbursed from the enterprises' own funds. Besides this, the CPSU Central Committee and USSR Council of Ministers resolutions "On Measures for Improving Management of Economic and Scientific and Technical Collaboration with the Socialist Countries" gives Soviet associations and enterprises broad rights with regard to establishing and developing direct ties with enterprises and organizations in the fraternal countries. Moreover, the decisions they make independently include practically all aspects of collaboration: determination of the extent of joint activity and the economic conditions for carrying it out, agreement on prices for goods and services being produced, etc. Practically all earnings (including foreign currency earnings), received as a result of joint activity, remain at the disposal of the enterprises.

One manifestation of expanded economic independence in Bulgaria is the fact that directive plan quotas do not fully load the productive capacities of economic organizations. Enterprises are permitted to plan and to accept orders on their own for a part of those products they produce which enjoy a demand on the domestic and foreign market. The availability of reserve capacities creates conditions for realizing plan quotas and allows Bulgarian enterprises to more actively demonstrate initiative in assimilating scientific and technical achievements, in developing new technological processes, and in shifting over to the production of new products, and to better satisfy customer demand. They make it possible for an economic organization to reduce the negative consequences of miscalculations in planning and material and technical supply, and also of spontaneous factors. At the same time, the enterprises are provided with an additional incentive for rational utilization of funded production resources, with the aim of applying the part of them that is saved to the production of independently planned output.

It should be particularly emphasized that the socialist state retains sufficiently effective means at its disposal to control the activity of the economy's basic production units, especially its financial and credit levers. Besides this, state organs establish the scale of the independent activity of enterprises and associations: specifically, they are the ones that determine the extent of the productive capacity of a given enterprises which is free of a centralized workload.



Hungary has accumulated many years of experience (beginning in 1968) in the broad application of indirect methods (prices, finances, credits, etc.) of extending state plan quotas to economic organizations and enterprises. The national economic plan contains a special section which stipulates the development of a system of economic regulators. With the help of these, the organizational and economic conditions are created for enterprises, under which the plans that they develop independently are coordinated with the control figures of the national economic plan. At the same time, the country is retaining quota assignment for certain of the most important types of production, for import and export activity, and also for investments.

The orientation of the Hungarian economic mechanism toward broad autonomy of the basic units of the economy has also turned up a number of difficulties. In pursuit of their own current interests, Hungarian enterprises, in the distribution of their profits, have leaned heavily toward increasing the funds they have available for material incentives, to the detriment of long-term development strategy. As was noted at the 13th VSRP Congress, the result of this has been that "it has not been possible, as is necessary, to expand production of new, profitably-sold goods, and to increase the competitive qualities of products. One of the decisive reasons for this lies in the unsatisfactory technical development of production, in the slow practical application of scientific achievements." As a result, "...funds allocated for development have been considerably reduced..." (7)

In countries where directive methods of managing the economy have predominated, there has recently been a substantial reduction in the number of directive plan quotas (with the exception of the GDR) along with an increase in the role of indicators which reflect the effectiveness of economic activity, output quality, and final national economic results. When evaluating activity on the level of ministries, associations and enterprises, increasing importance is being assigned to indicators of the fulfillment of contract obligations, of net production or its modification, of the utilization of production resources, of income, and the like. There is a gradual rejection of the use of general volume indicators in an authorizing and estimating capacity. At the same time, all the European CEMA member countries set mandatory production of basic types of output in natural terms according to sales trends, which is called upon to ensure current equilibrium in the development of the economy. The production program tasks of enterprises and associations are spelled out in more detail in East Germany and Romania. In the GDR, directive quotas are assigned directly to combines, without going through the ministries, and indicators in physical terms encompass the final results of the combines' activities.

The increasingly broad scale of social production and the increasing complexity of inter-sectorial relationships -- all this requires a widespread planning network which ensures both vertical and horizontal mutual relationships. At the present stage, indicators which characterize the ties of specific producers with specific consumers are assuming great importance for all the European CEMA member countries. Contracts, as one of the most important instruments of management, are becoming widespread everywhere. In such countries as Hungary, Bulgaria and Poland, the contract, to a large extent, is being used as a basis for developing the independent product

assortment plans of economic organizations. In the USSR, the GDR, Czechoslovakia and Romania, contracts are usually concluded on the basis of corresponding planning acts or other normative documents.

In the process of the interaction of the state plan and the economic contract, two mutually related tendencies can be traced: on one hand, the contract is emerging as a form for specifying plan quotas, their transformation into economic obligations and an effective means of control over the fulfillment of the latter and, on the other, as an instrument for the formulation of national economic plans. The economic contract is being used most intensively in those circumstances where centralized planning is accomplished according to consolidated indicators or on the basis of counter-plans of the enterprises themselves. Their role in planning has grown particularly in circumstances when the national economic plans of the European CEMA member countries are oriented toward the achievement of final national economic results.

Measures are being taken in all the countries of the socialist commonwealth to increase economic responsibility for the fulfillment of contract obligations. (8) Extensive systems of measures to exert administrative and economic pressure on violators of delivery discipline exist in Bulgaria, Hungary and Poland. These countries are consistently implementing the principle of full compensation by contractors for damages they cause. When one of the sides fails to pay penalties in accordance with a contract, competent organs (arbitration and financial organs, and others) have been given the right, at their discretion, to recover them from income. Thus, in Bulgaria, a regulation has been introduced which obligates the guilty party to reimburse both the direct losses borne by a customer and also the income that he did not receive as a result of a violation of a contract. Moreover, in specially agreed-upon cases of contract nonfulfillment, payment of forfeits or reimbursement of losses can be demanded in foreign currency. Besides this, a producer who fails to deliver one or another product on time is obliged cover the foreign currency expenditures of consumers of the imported products, on the basis of its own foreign currency fund or a limit fixed by it.

Under the influence of the modern scientific and technical revolution, a steady strengthening of the ties and dependencies among a large number of sectors is occurring and an expanding process of economic integration is going on in the national economies of the CEMA countries. Under these conditions, the important shifts which are taking place in certain elements of the national economy are having a fundamental influence on the development of other elements of the economy and on the functioning of the socialist economy as a whole. By force of the given circumstances, the problems of ensuring a dynamic balancing of social production and an increase in its effectiveness require improvement of planning methods and the all-round solution of important state-wide intersectoral and territorial problems.

Conditioned by a large number of factors in the national economic development of the European socialist countries, problems of improving the quality of inter-sectorial and inter-regional management are appearing at various levels of the management hierarchy and are being expressed in various organizational and economic ways. Among these problems are the formation and development of territorial production complexes, the creation of associations of the inter-

sectoral type, the development and realization of complex state-wide programs, and the singling out of inter-sectorial national economic complexes as the basic subjects of centralized planning. In a number of countries, increased attention is being given to working out the strategic aspects of the development of sectors, regions, and large economic complexes; steps are being taken for their closer coordination within the 5-year plan (special sections of the plan or separate indicators); the process of developing plans is being organized so as to include participation by appropriate specialists from sectoral ministries and local organs, program developers, etc.

The mastery of methods of planning by groups of mutually related sectors, which as a rule are united by a commonality of purpose and by the presence of close economic production ties, is becoming an important trend in the improvement of planning in practically all the CEMA countries. Thus, in Bulgaria, Hungary, Romania and Czechoslovakia, the fuel and power sectors are being planned as a single inter-sectoral complex; in Romania and Czechoslovakia, the same is being done with metallurgy and machine building and in Bulgaria, Hungary and Czechoslovakia -- with agriculture and the food industry; In East Germany the lumber industry is also included in this complex; in Romania -- water resources management; and in Poland one ministry directs the food industry and procurements.

The formation of inter-sectoral national economic complexes is conditioned by the necessity of further improvement in the effectiveness of social production. However, the possibilities which arise in connection with the formation of complexes for planning the use of their output are no less important. This aspect is particularly significant because it makes it possible to direct the activity of inter-sectoral complexes toward final national economic results. In the activities of the latter, with appropriate organization, planning from the sectoral standpoint is successfully being combined with planning from the program-goal (programmno-tselovoy) point of view. At the same time, the territorial aspect of planning is being fundamentally strengthened, inasmuch as planning is being extended from the complex's production sphere to also include the consumption sphere, where the territorial factor is particularly important.

Orientation toward final national economic effectiveness also requires that sectoral and regional interests be overcome entirely in the development of national economic plans. This can be achieved only by way of an essential strengthening of the role of central planning organs and by a strengthening of the program-goal approach in management, ensuring the priority of public interests in the solution of important state-wide problems. As analysis of the practice of national economic planning in the fraternal countries has shown, the program-goal method is also being used as a specific methodological approach to putting together the state plan as a whole. In this function, it first of all presupposes steps to ensure the goal-orientation of the plans. This can be seen in the fact that, in compiling their plans, practically all the European countries of the socialist camp have designated a special stage, during which development goals are formulated and principles of economic policy, aimed at their achievement, are defined.



The increasingly active role of composite planning, the increased role being played by the indicators of the composite sections of the plan, is also an expression of the program-goal approach to constructing the national economic plan. Particularly important in this direction is the introduction of methods for determining rates and proportions of national economic development from ultimate social needs and the improvement of methods for justifying the structure and scales of nonproduction requirements as an initial basis for the formation of composite plan indicators. The program-goal approach is also increasingly finding expression in the fact that certain sections of the national economic plans of the CEMA member countries are taking on a program character. The indicators of such sections are being given a precisely expressed goal orientation; they are being structured in such a way that the relationship of goal indicators with resource indicators is being established through a system of planning measures which are precisely aimed toward the given goals.

The generalization and systematization of collective experience in perfecting economic mechanisms in the European CEMA member countries testify with total clarity to the fact that an organizational and economic prerequisite for achieving the strategy of accelerating social and economic development lies in the establishment of a system for managing socialist social production, in which necessary agreement and balance are achieved in the relations between centralized forms and methods of managing the economy and the operational cost-accounting independence of its primary elements. To a large degree, the efficiency with which the economic mechanism functions at all levels of the national economic hierarchy, the establishment of a unity between strategic and current decisions, the increasingly full development of creative activity, and the initiative of labor collectives and of individual labors will depend upon how this problem is solved. Study of the leading experience of the fraternal socialist countries in this field will allow selection of the best organizational and economic solutions.

#### FOOTNOTES

1. "Materials of the 27th Congress of the Communist Party of the Soviet Union", Moscow, Politizdat, 1986 pp 128-129.
2. "Materials of the CPSU Central Committee Plenum, 16 Jun 86", Moscow, Politizdat, 1986 p 32.
3. In essence, the latter represents a complex program in which goals, time periods, and particular ways of realizing them are indicated; in its development, great attention is given to questions of increasing the effectiveness of foreign economic activity.
4. M.S. Gorbachev, "A Basic Question of Party Economic Policy", Moscow, Politizdat, 1985 p 25.
5. V.I. Lenin, "Complete Collected Works", vol 24, p 144.
6. *ibid.*, p 146.



7. "The 13th Congress of the Hungarian Socialist Workers Party, Budapest 25-28 March 1985", Moscow, Politizdat, 1985, pp 25, 31.

8. Inasmuch as the obligations, fixed in economic contracts, are based on plan quotas, their fulfillment comprises an unalterable condition of the fulfillment of the state plans themselves. In this connection, contract discipline is an important supplement to plan discipline. The responsibility for fulfilling the plan and the responsibility for fulfilling the economic contract form a single legal economic responsibility.

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ROLE OF PRICE FORMATION IN CEMA TRADE COOPERATION

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[Article by V. A. Uspenskiy, candidate of economic sciences and A. Yu. Zhdanov: "An Important Factor in Increasing Cooperation Among Participating CEMA Countries"]

[Text] The intensification of their mutually advantageous economic cooperation is the most important factor in accelerating the social and economic development of the socialist countries. Serious attention was focused on the problems of comprehensively improving this cooperation at the 27th CPSU Congress. At that congress M. S. Gorbachev noted, "Today the fates of the world and of social progress are linked more closely than ever before with the dynamism of the world socialist system's economic and political development" (1)

The foundation of the system of mutual foreign economic ties among participating CEMA countries is their direct cooperation in the production sphere. This cooperation is accomplished through the coordination of national economic plans and agreements and also economic policies. The entire system of economic cooperation among participating fraternal socialist countries is accomplished through their trade and financial relations and the cost categories that are inherent in them. Under these conditions the role of cost instruments is not only not reduced, but on the contrary, is continuously increasing. This then causes them to become a powerful stimulus in developing all types of cooperation, strengthening the integrational process and improving international socialist production relationships.

Prices on their mutual trade (the contract prices) are an important element in the mechanism for economic cooperation among participating CEMA countries. In accomplishing their functions, contract prices facilitate the improvement of the international socialist division of labor and serve as an instrument for the planned effect on increasing economic intensification in participating CEMA countries. Socialist countries had taken a course toward actively using trade and monetary relationships and this was again confirmed at the Economic Conference of Participating CEMA Countries: "The mutual trade pricing system that is in effect and currency-monetary cooperative instruments will be further improved and the collective currency, the converted ruble, will be strengthened" (2)

It has become necessary to improve trade and currency cooperative instruments among socialist countries because the bulk of their foreign trade is in mutual trade among socialist countries. For example, in 1984 this amount varied from 53.6 percent for Hungary to 97.6 percent for the Mongolian People's Republic. (3) Therefore the results of foreign economic cooperation among participating CEMA countries depends to a great extent on the correct use of cost factors.

A characteristic feature of price formation in mutual trade among participating CEMA countries is the use of world prices as a basis for contract prices. Prices in the world trade market are first "cleansed" of the spontaneous, market influence of the capitalist market. The primary method for this cleansing is to average world prices over five years and then stabilize the accounting base of specific prices for one year. This use of world prices in mutual trade among participating CEMA countries is creating a number of specific problems whose resolution urgently demands special examination and analysis.

The development of specific price proportions and also conditions for trading in the world socialist market is an urgent task. The fact is that the effect that mutual socialist country trade prices have on accelerating scientific and technical progress is, to a great degree, their structural effect on the national economy and especially on the structure of commodity turn-over. Contract prices and their level and correlation must correctly reflect progressive changes in economic proportions and the differentiation in the technical and qualitative level of the product. In this case prices actively promote the development of a contemporary trade structure in the internal exchange among socialist countries, i.e., a correlation between two primary trade groups (fuel and raw materials and finished industrial goods) in which the share of goods with the highest level of processing, and therefore the results of increased labor effectiveness that are caused by that processing, is increased. In addition, every marketplace also has correlational changes in the exchange and demand for interchangeable, similar goods during which the consumer demands of the socialist countries are satisfied by goods that meet their most urgent needs.

Thus contract prices promote the structural reshaping of national economies and also change intra- and inter-industry proportions. These then accelerate the process of intensifying socialist production. If foreign trade prices, and especially the prices of machines and equipment, do not reflect the goods' qualitative characteristics and technical-economic parameters, these prices do not make the producer and exporter constantly improve their product. Therefore socialist countries are actively getting the direct producer of export products to take part in these foreign economic ties and are getting them materially interested in this process through the use of pricing and financial methods. The most wide-spread of these methods are price mark-ups on export products and shifting part of the profits from foreign trade transactions.

In addition, foreign trade organizations in socialist countries watch to see that there are no violations in the established base averaging period. The fact is that prices on machines and equipment are sometimes established for a

time period that is very close to the time that a given foreign trade transaction takes place, i.e., for a two- or three-year and even a one-year period for averaging world prices. This is linked to the fact that the five-year period exceeds the time for renovating and modernizing export products from capitalist firms. This makes it difficult to select analogs in the world capitalist market. These same difficulties do not apply to the selection of a pricing series for fuel and raw materials over a five year period. The use of two or three years of prices instead of five to establish contract prices on machines and equipment when there has been an increase in world prices leads to an increase in the accounting base for these prices since a five-year period is used for fuel and raw materials. At the same time, when there is a drop in world prices, increases in past years are shifted to contract prices. It is possible to use various extrapolation methods that permit data from a two- or three-year period to be expanded to five years. However these methods are very labor consuming and are not accurate enough. It is obviously advisable to reduce the base period for averaging world prices on all goods. In addition, it is beneficial to regularly reexamine prices in the world socialist marketplace and especially to establish lower contract prices on obsolete machines and equipment without further reexamining and correcting those prices because of fluctuations in the world price. And base price averaging should be used only with new products from socialist countries and should consider the product's level of conformity to world models.

When calculating the base for contract prices it is important to have those prices correspond to the total cost indicators of the socialist countries. We must use world prices with a consideration for the production structure that has and is being formed in socialist countries, foreign trade, the level and correlation of expenditures and labor productivity, and also production quality indicators. Structural differences in the labor expended on the production of similar goods demand that world prices that have been selected as the base be coordinated with the correlation of contract and internal prices. This contract price correlation must correspond more to the proportions of wholesale prices which reflect the proportion of national socially necessary labor costs that will be the stimulating effect of foreign trade prices on optimizing the level and correlation of labor expenses.

Two of the problems from the total gamut of problems in "cleansing" world prices are especially important in developing prices for the world socialist market place: first, retaining the real cost of mutual requirements and obligations among socialist countries and second the profit nature of prices on fuel and raw materials. The importance of these problems is conditioned by the following factors. First, it is necessary to "cleanse" world prices of the inflation effect to develop optimal levels and proportions of prices in foreign trade among socialist countries; this "cleansing" determines the total price fund in the marketplace. Moreover, the establishment of prices on fuel and raw materials is the first step in determining production prices and any errors in this area will automatically be shifted to the prices of finished goods. And finally, both of these problems are among those that have been least developed in economic literature, whereas reality urgently demands that they be resolved as soon as possible.



The first problem arises in connection with the possibility of introducing the inflationary effect in world prices into the world socialist marketplace. During the bartering process there are differences between the times goods are sold and the time payment is made because of credit being extended to the buyer, various production cycles, the seasonal production of some goods and peculiarities in budgeting and payment relationships. For these reasons the liquidation of mutual needs and obligations also assumes the liquidation of their cost and physical volume. A discrepancy between cost and the real-physical expression of the demands and obligations of socialist countries can arise during the period between the sale of and payment for goods and because of this any exporter (seller) or importer (payer) may have losses. These losses will be expressed either as the inability to obtain enough trade credits when obtaining them based on cost as a result of price increases or as increased trade repayments on the cost of credit because of price reductions. The solution to this problem assumes the adoption of a third type of interdependent and coordinated measures -- percentage, exchange (currency) and pricing measures themselves.

Percentage rates in the world socialist marketplace do not always reflect changes in pricing factors. Percentage rates on credits to the IIB [International Investment Bank], IBEC [International Bank for Economic Cooperation] and on inter-country credits are effected by the possibility of losses to the creditor-country because of discrepancies between the movement of contract prices and percentage rates since as a rule average growth rates for the former exceed those of the latter. The solution to this problem is as follows. We must increase percentage rates and also provide for their greater flexibility and differentiation according to the following factors: the recovery of the given credit agreement; the effectiveness of capital investments that are associated with it; average annual changes in world prices for the period that the contract price base was "cleansed"; the average annual rates in the world capitalist marketplace after they have been "cleansed" of the speculative effect. It is time we develop special methods for determining these factors when establishing credit percentages and formulating prices.

The establishment of the converted ruble's real exchange rate vis-a-vis currencies in which the base prices in the basic world trade marketplace are reflected and also the regular and timely review of this exchange rate to take into account the buying power of these currencies and of the converted ruble have important significance in protecting the world socialist marketplace from the inflationary effect of world prices. (4) When recalculating world prices it is advisable to establish an exchange rate for converted rubles based on the relationship of the annual amounts of exports into the world socialist marketplace as expressed in capitalist currency and in converted rubles. We should consider that in recent years the nature of the effect of currency factors on the price formation in the world socialist marketplace has changed somewhat. The traditional inflationary growth of world prices expressed in U.S. dollars has been replaced by their relative stabilization and reduction because of the increase in the dollar exchange rate vis-vis the currencies of other capitalist countries. However, this does not eliminate the problem of

protecting the world socialist marketplace from the inflationary effect of the world capitalist marketplace. And even more so since, as is known, the exchange rate for U.S. dollars has again been dropping since February 1985.

First, as before, the real movement of world prices is hidden by the effects of currency factors; second, the processes that were previously characteristic for the U.S. dollar are now peculiar to the currencies of other capitalist countries; third, because of the use of the five-year period for averaging world prices it is possible to shift the inflationary growth of previous years.

As regards the pricing aspects themselves, they are primarily linked with the use of specialty clauses, a practice that has not found wide application in the world socialist marketplace. At the same time, judging by everything, there is nothing that counter-indicates the expanded use of special pricing methods and techniques. In a number of cases trade deliveries to liquidate credits have been based on pricing conditions at the time credit was advanced. In actuality this is a "stop-price" method under barter agreements with a delayed first delivery, one that promotes an equivalent exchange within the framework of a given credit agreement. And price indexing, a series of the more reliable methods for cleansing inflationary effects from base world prices, is also used. One of these methods is eliminating from the base prices the so-called "inflationary aspect" which is defined as the average increase in world prices because of capitalist currency depreciation over the averaging period. This method differs from the correction of the currency exchange rate for converted rubles since the inflationary aspect is calculated for every commodity (commodity group) individually. This method is complicated, but referential example calculations are always useful.

If calculating the factors that have been indicated and that are a part of the circle of issues involved in the initial problem has an effect on establishing the general level and proportions of prices, then the prices of fuel and raw materials determine the starting point for the movement of prices and more attention must be focused on these two items.

Of course only certain price formation problems in the world socialist marketplace, problems that are associated with the use of world prices as a base for contract prices, have been examined here. The existence of these problems is the reason for our having to improve the mechanism for price formation in mutual trade among socialist countries. This need is also caused by reasons that are characteristic for mutual foreign economic trade relations among participating CEMA countries. As socialist economic integration expands, cooperation among the fraternal countries becomes more and more complex, embraces new spheres of activity and is diffused in all phases and stages of the production process. This production process goes beyond national borders and is taking on an international nature in its specialized and cooperative spheres and its joint enterprises. The labor and material motivation for its workers are gradually taking on a directly social nature at the international level. The levels of intensification in socialist country economies are increasing and are evening out. There are changes in cooperative methods and practices. The accent is shifting from the exchange of independently produced labor products to joint production and scientific-

technical activities and the development of direct economic ties between associations and enterprises. As a result the material integration process is having an active effect on the development of socialist international cost. Additional possibilities for the stimulating effect of prices on the process of social production are being developed. And all of this is making it necessary to improve the practice of price formation in the world socialist marketplace.

The improvement of the price formation system in the world socialist marketplace is a step-by-step process. The on-going improvement for the near future is associated with improving a practice that is currently in effect -- making the best use of world prices and guaranteeing that they are valid, productive and "cleansed." And the mechanism for the formation and operation of contract prices, the combination of flexibility and stability, a system of rebates and mark-ups, an approach to various trade groups, a system for coordinating and reviewing prices, their calculations in coordinating national economic plans, the signing of long- and medium-range contracts and so forth, is subject to improvement. As regards the more distant future, one can certainly talk about the gradual creation of prerequisites so that the internal production conditions in socialist countries, social international costs and regional socially necessary labor costs, especially in spheres where there is specialization and cooperation, are more fully considered.

International production specialization and cooperation is one of the most intense forms of production cooperation and one in which the collectivization of socialist production is taking place on an international scale. This form of cooperation has a direct effect on strengthening the intensification of socialist social production. And the increase in serial production with the corresponding reduction in inventories per individual country is having an effect on labor cost levels. Mutual trade of these products is becoming a part of the international production process within the framework of the world socialist economic system since cost and real and physical production norms in these cooperative products require that a strict proportionality in the exchange of these products in the world socialist marketplace be strictly observed and since they form the distinct conditions for its realization.

Goods that circulate in the specialized and cooperative goods marketplace are the result of systematically organized direct industrial cooperation. Therefore this marketplace has its own characteristic traits and peculiarities that influence production intensification. The specialized and cooperative goods marketplace is characterized by: the mass nature and regularity of the stream of goods that are mutually exchanged; the conditionality of the delivered good's production purpose for the specific consumer; the partners' interdependency on the technical level of the goods being sold; and the increased importance of the real and physical proportions of the exchange of goods that make up the total on the total. There are various possible combinations for international socialist cooperation and for the exchange of specialized and cooperative products:

- 1) cooperation among socialist countries on the basis of international specialization in the production of assemblies and components and the assembly



of finished products in one of the countries, the organization of counter-deliveries of finished products from this country into the other countries in the cooperative;

2) the organization of assembly production of the same item in all the cooperating countries and a mutual exchange of assemblies and components according to an agreed-upon program;

3) the exchange of standardized assemblies and components that make up a set, the assembly of finished products in various countries and a mutual exchange of the finished product;

4) a division of the technological production process into stages and the partners' specialization and cooperation on the end product of a given technological stage, their mutual exchange and also the exchange of goods that have gone through the entire technological cycle.

The first three variations make economic sense because of their cost effect from concentrating the production of certain goods in countries with the lowest level of corresponding national socially necessary labor costs and the relative reduction as a result of the international socially necessary cost. As regards the fourth variation, its economic effect is brought about by the optimum distribution of production close to raw material sources or places of consumption and the reduction of transportation expenses. This also promotes a reduction in the level of socially necessary labor costs. Thus international production specialization and cooperation must have a reducing effect on the values of cost and price. From this point of view, the most progressive of these is cooperation on the basis of assemblies, components and technological stages, i.e., in intra-industrial specialization. Naturally this makes sense primarily only in those cases when the acquisition of the assemblies and components that make up the finished product is cheaper for the producer of the finished product than when he produced them himself.

A specific feature of trading in specialized and especially cooperative products is that its primary goal is to save social labor and reduce production expenses and only then give countries two-way commercial advantages from mutual trade. In traditional foreign trade the operative words are commercial advantages.

The peculiarities of international specialized and cooperative production and the specialized and cooperative product marketplace also influence the specifics of its price formation and make the primary demands on price formation. Observing these guarantees that cost effectiveness will be realized from production cooperation. There is really only one real requirement for prices in the world socialist marketplace. They must guarantee an equivalent, mutually advantageous exchange. However, since the depth and intensity of direct production links in the various forms of cooperation are different, price formation cannot be conducted according to a general schematic. When trade involves normal trade goods or ones that involve industrial specialization, the contract price is established only once. But under cooperative conditions, where the item being exchanged represents part of the finished product or the finished product itself, the price on this cooperative

product must be determined many times. The primary times for price formation are when: formulating accounting contract prices in preparing and concluding agreements on specialized and cooperative production; determining possible price changes up to the deliveries of specialized and cooperative goods; establishing real foreign trade prices for trade contracts. According to existing rules, prices on specialized and cooperative goods must be established in agreements covering international production specialization and cooperation. However, instead of determining agree-upon accounting prices while working out their agreements, as a rule partners only stipulate general terms for establishing, revising and refining cooperative prices.

Another important requirement is that prices on assemblies and components that make up a finished product must be related to the price of that finished product. The correlation and interconditionality of the values of labor cost and the cost of the finished products and its component parts require that the prices on those goods be coordinated and proportional. There is no mechanism for guaranteeing that this is observed in traditional foreign trade. The price of a finished product does not have to be higher than the total sum of the prices on its component parts and the cost for assembling it and putting it into complete sets.

Associated with the fact that when there is international production specialization and cooperation planned economic links between national producers are established not only in the sphere of exchange, but also in the sphere of production, the areas of application for social labor and the level and proportion of its cost are also determined in a planned fashion. Under these conditions labor in socialist country enterprises and cooperatives becomes a social phenomenon on an international scale and this reduces the role of world trade marketplace prices in its social recognition in the world socialist marketplace. On the one hand, contract prices must reflect the movement of socially necessary labor costs. On the other hand, when prices are established that are lower than before cooperation they must guarantee that the partners are materially motivated to develop this integrational form of cooperation and that the exporter and importer receive a guarantee of steady economic benefits from the reduction in production costs. The solution to this two-part task can be reached when contract prices are compared in a comprehensive manner not only with world prices, but also with the internal cost indicators in the cooperating countries. Therefore cooperative prices in the world socialist marketplace must reflect the conditions of the productive process within the world socialist economic system. This means that the specific requirements for forming the price of specialized and cooperative products make it important not only to consider in contract prices the factor of world prices, but also the national socially necessary labor costs of the cooperating countries and the regional socially necessary labor costs. This will promote the further development of the international socialist division of labor and the valid division of its effect among the countries and will allow us to avoid many price formation difficulties under production specialization and cooperation. Many economists are stressing that we must more fully consider internal production conditions in socialist countries when developing prices in the world socialist marketplace. (5)

At the present time the same principles that are functioning in traditional foreign trade are functioning in the trade of specialized and cooperative products. The differences in the practice of price formation do not apply to the cost basis for prices in the various forms of cooperation, but rather to the specific methods and procedures for selecting base prices and establishing contract prices.

The primary difficulties in the mutual trade of specialized and cooperative goods are associated with the problem of selecting representative base prices for the components and assemblies that make up the finished product and calculating the cost basis for contract prices. The fact is that there is no world trade marketplace for the component parts that are delivered within the framework of international cooperation. These goods are usually circulated within a firm or within a closed set of firms and so-called transfer prices are established for them. These prices are a commercial secret in capitalist firms but even if they are known, they are set at a lower level than if the assemblies or components are sold openly. When they are sold openly they are not called component parts, but rather spare parts and additional costs are included in their price. As a result of this the total price in the world capitalist trade of components and assemblies for finished articles is several times higher than the finished product's export price. Therefore the use of world prices on spare parts as a base for contract prices can lead to a significant, invalid increase in the foreign trade prices on finished products from capitalist countries.

It is also difficult to select representative world prices because the world capitalist marketplace also has a wide assortment of products that have a wide range of technical and economic parameters. Individual types of machines and equipment and their components and assemblies are produced and sold by various firms at different prices and there is no publicized information on the numerous discounts and surcharges. As a result of this plurality of prices and goods socialist countries that are partners in production specialization and cooperation give one another different information on base world prices where the importer insists on keeping them at the same low level and the exporter insists on keeping them at a high level. And in any case these prices have to do with a former period relative to the periods that contract prices on specialized and cooperative products are in effect. This makes it difficult to have prices reflect changes in the socially necessary labor costs and technical-economic parameters that occur as a result of production cooperation among the cooperating countries.

Specialization and cooperation on an international scale help optimize the national economic structure of socialist countries, promote a general increase in labor productivity, and even out the level of labor productivity in the various countries by developing effective large-series mass production and replacing ineffective production with importation. The increase and evening out of the average national levels of social labor productivity and production effectiveness as a whole first takes place within the specialized and cooperative spheres. Because of this the levels of individual national socially necessary labor costs and the values of cost per unit of goods in the given and associated industries are reduced and evened out. Each cooperating country tries to gain economic advantages from participating in the



international socialist division of labor by savings in their social labor in the form of costs. These savings are revealed by comparing the production of goods by individual countries before cooperation or importation or by comparing contract prices of third party countries. In connection with this, cooperative prices, an important stimulus for the development of international production specialization and cooperation, must aid socialist countries toward expanding specialization by creating guarantees that they will gain economic benefits. Cooperative prices play an important role in substantiating the different variations of production cooperation since the advantages from the countries taking part in international specialization and cooperation are created in the sphere of material production, but are only realized in foreign trade. Under these conditions it is advisable to consider the internal conditions in socialist countries as an additional cost indicator for world prices.

One of the main methods for harmoniously introducing prices on specialized and cooperative goods into the system of contract prices that are in effect is to formulate contract prices and determine correlation and proportions at the stages of production and not at the time of exchange. At this time actual prices are not fixed while agreements on production specialization and cooperation are being prepared and are not even specified in the agreements themselves. They are specified only when foreign trade contracts are concluded. This means that cooperative prices are not based on production, but on exchange. This uniquely isolates contract prices from the specialized production process. This somewhat reduces material incentives for the country-partners to develop and expand mutually advantageous production cooperation.

The process of establishing prices on specialized and cooperative products may include the following basic stages:

1. Forecasting long-term trends in the economic and scientific-technical development of socialist countries, changes in their national and international socially necessary labor costs and fluctuations in world prices. These forecasts are the basis for selecting and substantiating future rational trends in international production specialization and cooperation that are associated with structural changes in the economies of the partner countries. As a component part of economic forecasts, cooperative price forecasts made it possible for cooperating countries to determine the a priori trends in production cooperation that are best for them.

2. Calculating cooperative prices when developing and coordinating national economic plans. These prices are used to calculate the effectiveness of each proposed specialization and cooperative variation which then creates the basis for the selection of specific areas of cooperation and specialization. At this stage cooperative prices are linked with the prices of other forms of cooperation. This helps prepare the introduction of specific price conditions into agreements on specialization and cooperation.

3. Calculating price factors when concluding long-term agreements on specialization and cooperation. These agreements stipulate economically based criteria for possible price changes caused by the reduction of production



costs through mastering specialized production, increasing serial production and also through changing technical and economic parameters and qualitative characteristics of the goods.

4. Realizing agreements on production specialization and cooperation by concluding and carrying out foreign trade agreements and direct economic contracts between enterprises and ministries that are taking part production cooperation among socialist countries. Final prices are defined in these contracts. At this stage the calculated and actual effects from international socialist specialization and cooperation are compared.

Thus by going through all these stages cooperative prices are successively changed from forecast prices (the first stage) to reference point prices (the second stage), maximum prices (the third stage) and then contract prices (the fourth stage). The price formation system that we have examined allows us to link all the various forms of cooperation among socialist countries in the area of planning, production and foreign trade activities and to provide clear cost reference points and stimuli to intensifying social production.

And the improvement of those blocks of national economic mechanisms which service foreign economic links plays an important role in increasing the effectiveness of mutual cooperation among participating CEMA countries.

At the present time our country is radically restructuring the mechanism that controls foreign economic activities. The goals of this restructuring, its tasks and the routes to resolving these urgent problems are defined in resolutions by the CPSU Central Committee and the USSR Council of Ministers on "Measures to Improve Control of Foreign Economic Ties" and "Measures to Improve the Control of Economic and Scientific-Technical Cooperation with Socialist Countries," and resolutions by the USSR Council of Ministers on the sequence for creating joint enterprises and international associations that include USSR participation.

We must fundamentally restructure the system of cooperation with socialist countries and move it from primarily trade links to comprehensive production specialization and cooperation. To do this we are essentially changing the procedures and methods for international economic ties and enterprises and associations and ministries are beginning to participate directly in these activities. And progressive forms of cooperation such as direct economic ties, joint enterprises, and international associations and organizations of socialist countries are begin developed. All aspects of foreign economic activities are being changed over to total cost accounting, currency reimbursement and self-financing.

And new economic levers for integrating production, scientific-technical and trade cooperation between the USSR and participating CEMA countries are appearing.

The basic forms for this include the following: contractual price formation among the participants with direct ties; the allocation by price formation functions of the direct participants in export-import activities, increased interdependence between foreign trade and internal price formulation; the

creation of currency funds at enterprises, associations and ministries; recalculation coefficients for currency earnings in national currencies; a reduction in the role of budgetary (irreversible) subsidizing for exports and imports. issuing of currency credits, and the granting to enterprises of the right to regulate their currency earnings.

Soviet associations and enterprises have been granted the right to coordinate prices on cooperative goods and on services that are provided. These prices for product components must be linked with the price on the finished product and must be determined in accordance with the principles that are in effect and that are governing mutual trade among participating CEMA countries, i.e., they must consider world prices. The results of export-import activities are directly considered in the general review of economic activities by enterprises and associations. This review is done in actual contract prices and the accounting interdependence between them and the internal prices is established with the help of the currency coefficient. Under these conditions the real significance of contract prices and hence world prices increases as criteria for evaluating the work effectiveness of direct participants in export-import activities.

The experience of participating CEMA countries shows that there are two basic aspects to strengthening the interdependence between internal and foreign trade price formation. First, the level and correlation of contract prices are considered when establishing internal wholesale prices on export and import goods. Second, they can and must be considered when formulating internal prices on individual goods and groups of goods, regardless of whether they are goods used in foreign trade. This interdependence allows us to distribute the progressive influence of the international socialist division of labor in the production cycle chain throughout the entire national economy in all levels of the economic operation.

Under present conditions currency earnings are reflected in the volume of profit for the primary cost accounting chain. Currency funds are being set up in enterprises and associations and a fixed part of the earnings from exports and all earnings from activities within the framework of their direct ties are being put into those funds. The volume of these currency withholding funds depends on the effectiveness and competitive abilities of the goods that are being produced. Enterprises and associations now must themselves earn the currency assets necessary to develop, technologically reequip and renovate production. For example, enterprises and associations use only their own funds or funds that they have borrowed to pay for the importation of materials, machines and equipment. Thus currency funds make up the material foundation for expanding the rights and increasing the responsibility of primary cost accounting links in the area of foreign economics ties.

Under these new management conditions, the USSR Foreign Trade Bank is allowed to extend to enterprises, associations and organizations credit in foreign currency and converted rubles for up to four years. The reason for this is the desire to create and develop export products, the earnings from which will serve as a source for paying off currency credits.

The practice of socialist management vividly shows that financial-trade relationships have not lost their importance. On the contrary, they have become an important factor in the progressive development of industrial forces in each of the fraternal countries and of the entire socialist cooperative as a whole. This applies primarily to all those countries that have a very significant share in the total volume of foreign trade among participating CEMA countries: the GDR -- 12 percent; Hungary -- 9.9 percent; Czechoslovakia -- 9.1 percent; Poland -- 8.6 percent; and of course the Soviet Union -- 44.9 percent. (6)

The Political Report by the 27th CPSU Central Committee Congress focused attention on the fact that there can be undesirable consequences from underestimating financial-trade relationships in the planning management of an economic system. This hypothesis fully applies to the sphere of international socialist production relationships. The creation of an effective, adjusted mechanism for financial-trade relationships and its inherent cost instruments will help improve all forms of economic cooperation among the countries of the socialist fraternity, will intensify their economic integration and help intensify savings in all fraternal countries. The dialectic for developing financial-trade relationships includes the fact that their disappearance in the era of total communism will occur by increasing their use at the stage of developed socialism.

It is precisely for this reason that we must not weaken our attention on the problems of scientifically substantiating the development of financial-trade relationships both at the national level and at the level of the world socialist economic system. We must further study the entire system of cost instruments, to include prices. As M. S. Gorbachev stressed, "We must make prices very flexible and link them not only to costs, but also to the consumer properties of goods, the products' effectiveness and the degree of balance between the product being produced and the population's social requirements and demands." (7)

#### FOOTNOTES

1. Materials of the 27th CPSU Congress; Moscow, Politizdat, 1986; p 70.
2. PRAVDA, 16 June 1984.
3. See: Statisticheskiy Ezhegodnik Stran-Chlenov Soveta Ekonomicheskoy Vzaimopomoshchi [Annual Statistical Report by Participating Council of Mutual Economic Assistance Countries], Moscow, FINANSY I STATISTIKA, 1985, p 328.
4. For more details on the problems of the converted ruble see: VOPROSY EKONOMIKI [The Problems of an Economic System], 1985, No 6, pp 102-107; Vneshnyaya Torgovlya SSSR so Stranami SEV [The USSR's Foreign Trade with CEMA Countries], edited by V. M. Shastitko, Moscow, NAUKA, 1986, pp 88-93.

5. See: Mitrofanova, N. M. Tseny v Mekhanizme Ekonomicheskogo Sotrudnichestva Stran-Chlenov SEV [Prices in the Economic Cooperation Mechanism for Participating CEMA Countries], Moscow, 1978, pp 124-125; Korlov, Yu. F. Mezhdunarodnaya Sotsialisticheskaya Spetsializatsiya i Kooperatsiya [International Socialist Specialization and Cooperation], Moscow, 1981, pp 192-193.
6. See: Statisticheskiy Ezhegodnik Stran-Chlenov Soveta Ekonomicheskoy Vzaimopomoshchi [Annual Statistical Report by Participating Council of Mutual Economic Assistance Countries], page 329.
7. PRAVDA, 26 February 1986.

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POSITIVES, PROBLEMS IN CEMA JOINT VENTURES DISCUSSED

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[Article by Viktor Durnev, Cand. Sc. (Econ.)]

[Text]

The current phase in socialist economic integration presupposes new progressive forms of cooperation in economics, science and technology. Attention has been drawn to this fact more than once at the recent congresses of the CMEA member-countries' communist and workers' parties and in their programme documents, as well as at the CMEA Summit Economic Conference and regular sessions.

Such new forms are particularly necessary for implementing the Comprehensive Programme of CMEA Member-Countries' Scientific and Technological Progress Until the Year 2000 (CPSTP) as many of its provisions cannot be accomplished within the framework of existing foreign economic relations.

Establishment of CMEA joint ventures in various economic sectors is one of such forms of production, scientific and technical cooperation, which is now receiving close scrutiny.

As compared to other forms of cooperation such ventures have their own specific features. They are based on common socialist property, have an authorized fund composed of its founders' contributions and are run according to the plans formulated and approved by them. They are self-supporting and have a relevant mechanism to accomplish this function.

After deduction of taxes and outlays for replenishment and renewal of assets the profits are distributed between partners in proportion to their share in the authorized capital.

Joint ventures have their working staff, management and executive mechanism and enjoy the right of a juridical person. Their activities are governed by the laws of the country in which they are sited.

Joint ventures make it possible to improve labour efficiency and organization, keep the development priorities envisaged in the CPSTP, introduce advanced tech-

nology and techniques, economize on capital investments and raise the quality of products, including those intended for export.

How effective this form of cooperation is in helping the CMEA countries solve their specific economic problems can be judged, for example, from the activities of the following ventures already in operation: the Hungarian-Polish coal waste dump utilization enterprise Haldex (founded in 1959); the Polish-German cotton-spinning mill, Friendship (1972); and the multilateral shipping company, Interlighter (Bulgaria, Hungary, the Soviet Union and Czechoslovakia, 1978).<sup>1</sup>

Joint ventures clearly illustrate how successfully interested countries can collectively solve their various economic problems through pooling their scientific, production and labour resources.

For instance, the Haldex enterprise assists in applying the Hungarian-developed coal waste recovery techniques whose application in Hungary is not profitable because of insufficient coal resources whereas in Poland where coal waste dumps are plentiful the reverse is true. Among other things the Friendship spinning mill has also enabled Poland to provide employment for the population of the town of Zawiercie where the enterprise is located.

Joint ventures help CMEA member-countries satisfy their requirements for products in short supply,

save on capital investments and foreign exchange. For example, each Friendship mill partner receives annually 8,000 tons of high quality yarn which means less imports of textiles from Western countries for their light industries.<sup>2</sup>

The Haldex enterprise supplies Poland and Hungary with some 500,000 tons of highly calorific coal per annum and helps Poland economize annually up to 35 million zlotys in capital investments and almost 135 million zlotys in coal waste storage. Poland also uses part of its wastes to make cement and ceramics. Most of its ceramic industry uses this raw material.<sup>3</sup>

Partners of the Interlighter shipping company have their freights transported by the company's facilities, this saves hard currency and also earns it as a part of the company's profits.

Interested countries' joint production activities make it possible to achieve much higher efficiency at joint ventures than at national ones as more updated and productive machinery, equipment, techniques and management that actually represent the integrated best of each partner's scientific and technical potential are used. For example, the use of most up-to-date machines, improved organization of production and a good incentive system (a special bonus fund has been set up for best performance) have resulted in a five and more than seven per cent increase in per hour productivity in traditional and

spindleless spinning respectively at the Friendship mill which is a much higher indicator than at other Polish factories of this kind.

Joint ventures have enabled the CMEA countries to create international production infrastructures at various national economic levels. For example, an effective unified transportation system is being set up based on progressive techniques and latest facilities, including freight handling mechanisms, containers, etc.

The experience of the Interlighter shipping company is a good illustration. The company operates 200 lighters each of 1,070 tons capacity, 1,300 containers, two oceanic lighter carriers and push tugs. Regular freight traffic is maintained between the Danube river ports and the sea ports of India (Bombay) and Pakistan (Karachi) and the Mekong river basin (i.e. between the Mekong river ports of Vietnam and Kampuchea with calls at the sea ports of Saigon (Vietnam) and Penang (Malaysia).

Transportation by lighters is very effective because of large freight handling capacity. For instance, in the five years between 1978 and 1982 the Interlighter company moved more than 1,320,000 tons of the Danubian countries' cargo. As compared to traditional traffic schemes (railways- sea port-sea-going vessel) this method of transportation almost halves the delivery time. Another positive feature about lighters is that they are

general cargo carriers: the sea-vessel during one trip carries 126 lighters each holding cargoes of different properties and characteristics.<sup>4</sup>

It is also essential to point to some other positive aspects in the activities of joint ventures. For example, the experience of the Haldex enterprise which has processed many million tons of coal wastes and freed thousands of hectares of fertile land from waste dumps and heaps is being studied in the Soviet Union, Bulgaria, Czechoslovakia and other countries. A similar enterprise (called, Haldex-Ostrava) has been jointly set up by Czechoslovakia and Hungary. The Friendship mill uses the techniques of the best spinning factories in the GDR and exchanges technological innovations with other enterprises. Polish workers are taught how to operate shuttleless looms in the GDR. The Interlighter has initiated an international socialist competition between its partner enterprises in Hungary, Bulgaria, Czechoslovakia and the Soviet Union.

Analysing the functioning of joint ventures it ought to be emphasized that all of them are self-supporting; their profits fully cover their expenses and are used to expand their production base and to raise various funds without any additional investments by the partner countries.

The number of joint ventures in various national economic sectors

of the socialist community countries has been growing. By the late 1985 there were 11. In 1986 inter-governmental agreements were signed on establishing another six. Extensive feasibility studies on establishing new joint ventures in different economic sectors continue. And this is not just fashion. Joint ventures are needed as they greatly assist the member-countries' economic growth.

In this connection attention must be drawn to the fact that in economic literature and sometimes even in official documents the concept of a "joint venture" is often identified with other types of international economic organizations. For example, international economic amalgamations operating within the CMEA framework have no common property; they are set up to coordinate cooperation, co-production and joint economic activities in individual industries, technical development, foreign trade, etc. The task of joint ventures is to conduct production activities. They have their own property and are self-supporting organizations.

The CPSTP acted as a booster of the process of establishing joint ventures as it mapped out the priorities of the scientific and technical cooperation (electronics in the economy, comprehensive automation, atomic power engineering, new materials and techniques of their manufacture and processing, bioengineering).

The aims of the CPSTP predetermine a new approach to the forms and methods of the partners' direct cooperation within the framework of joint ventures. They are not just cooperating partners. They have to go the whole hog, i.e. cooperate throughout the whole science-technology - manufacture - sales cycle.

These specific features were considered when setting up new joint ventures. Thus, in 1986 an agreement was signed on establishing a Soviet-Bulgarian joint venture to make electronic systems for motor vehicles. Its head organizations (coordinators) will be the electrical equipment plant in Plovdiv (Bulgaria), which is part of the Elprom association and a base of new joint venture, and the auto electrical equipment factory in Kaluga (USSR). The basic aim is to make microprocessing systems' components for monitoring, measuring and diagnostic equipment, sensors and integrated circuits that will lower fuel consumption and the harmful ejections of exhaust gases. New products are to be designed and developed by the partner-countries' joint teams of designers.

Agreements have been signed on the basic principles of setting up and operating a Soviet-Polish joint venture to make screw-nut-rolling transmissions and a Soviet-Polish venture to manufacture electromagnetic clutches.



Therefore, the process of establishing joint ventures is characterized not only by their growing number, but also by a wider coverage of national economic sectors. In the past, joint ventures were mostly in the mining industries; now they encompass the manufacturing sector.

Over the long-term period the network of joint ventures will tend to expand and this is explained by the CMEA countries' natural desire to internationalize their scientific, technical and production cooperation and enhance their economic potential. Besides the documents mentioned late 1986 the Soviet government concluded agreements on joint ventures with the governments of the GDR, Hungary, Bulgaria and Czechoslovakia. The idea of a joint Soviet-Vietnamese latex-making and processing venture is being looked into. Very promising are also the joint ventures on exploring and developing the sea-shelves in the south of Vietnam (USSR and Vietnam), the Baltic Sea (USSR, GDR and Poland) and the Black Sea (Bulgaria, Romania and USSR).

It stands to reason that the effectiveness of the new joint enterprises will largely depend on the available and relevant prerequisites (for example, developed cooperative and direct ties, scientific, production, economic and legal foundations). For this reason care should be taken to avoid setting up such ventures by administrative

orders which have not considered all the above conditions to assure that this form of cooperation and its advantages are maintained.

Unfortunately, we do have negative experience of this kind. When the international economic amalgamations Interatomenergo, Intertextilmash, Interkhimvolokno and Interatominstrument were established, their constitutive documents set concrete deadlines for their conversion to self-supporting enterprises. Only the Interatominstrument managed to organize its activities in such a way as to recover all outlays through profits. The rest failed to do so and had to seek other ways of making their production activities profitable.

Practice indicates that it is easier to set up joint ventures when they are preceded by good direct ties between the respective national scientific, technical and production associations, exchanges of experience and specialists and information on promising fields of cooperation in which the national efficiency indicators could be bettered. For instance, the setting up of the above-mentioned joint venture to make electronic systems for motor vehicles was preceded by close and effective cooperation between the electrical equipment plant in Plovdiv, the institute of microelectronics in Sofia and the Moscow research institute of auto equipment in developing electronic systems for motor vehicles using microprocessor equipment.

As mentioned above, effective operation of joint enterprises largely depends on the available organizational, economic and legal prerequisites.

Much is being done in the Soviet Union along these lines. The course for accelerated socio-economic development presupposes a restructure of all spheres of activity, including foreign economic relations. On January 13, 1987, the USSR Council of Ministers approved a decree. On Questions Concerning the Establishment in the Territory of the USSR and Operation of Joint Ventures, International Amalgamations and Organizations of the USSR and Other CMEA Member-Countries. The decree touches on major organizational, economic and legal aspects of the establishment and operation of joint ventures. It also helps formulate the CMEA countries' common opinion regarding the activities of joint ventures.

A series of problems, however, has to be dealt with, caused, firstly, by inadequate experience in running joint ventures and, secondly, by member-countries' slow progress in formulating basic normative provisions, in defining and coordinating the sources for primary material and technical assets and in drafting rules and regulations for joint ventures. Experience indicates that to avoid "growth sickness" all these problems must

be tackled before a venture starts functioning and not after.

Detailed and well-coordinated feasibility studies including investigation into interested countries' production, research and development in a given industry should underlie economic decisions on setting up joint ventures. The latter's effectiveness will depend to a large measure on the objective nature of such studies. Practice has shown, however, that some of the current feasibility studies exaggerate the costs of projects, construction work and times of equipment deliveries, housing programmes, etc. This requires re-consideration and postpones the signing of constitutive documents.

Profit-making, self-supporting and self-financed joint ventures must have their own material and technical base, consisting of various production and technical facilities owned by partner-countries. This base can be formed in different ways, for example, from the authorized fund which may be increased by the partner-countries' additional contributions, or from a special fund for production development. It can be formed from national production or other assets made available by partner-countries to a joint venture. It can also be formed through joint construction of relevant facilities. For example, Haldex began from one enterprise being built on the basis of the part-

ner-countries' contributions. Today it has five enterprises: their construction was financed from the amortization fund. The point, however, is that these problems have to be resolved before the constitutive documents are signed.

Decisions have to be made on price formation as well. Depending on the type of deliveries CMEA agencies make the following recommendations. Crudes, materials, equipment and other goods and material values purchased and sold by joint ventures in the country of their residence must be delivered at prices used by public organizations and enterprises of that country. Exports to and imports from CMEA member-countries should be governed by the principles of price formation regular to these countries' mutual trade. Sales in third countries are made at current world prices. This principle of price formation was agreed when drafting normative documents for the joint Soviet-Bulgarian and Soviet-Polish ventures.

It seems that owing to lack of experience in running joint ventures this principle of price formation can be used only at the early stage of their operation. In their further relations with partner-countries' enterprises joint ventures should use prices based on their production costs.

For instance, Haldex includes in its annually formed prices the planned prime cost and the profit established according to agreed

rates, as well as the turnover tax. Poland and Hungary buy coal at a price composed of the planned prime cost and five per cent profit. Prices for the cement and ceramic industries' raw materials include their prime cost plus 10 per cent profit.

Another problem is the procedure and terms of exchange of partner-countries' currencies in connection with the activities of joint ventures. The latter's constitutive documents usually indicate that this problem should be solved by mutual agreement between the CMEA countries' competent authorities.

Experience shows that currency exchange requires a whole system of coefficients. A system of this kind is used, for example, by Haldex to convert Polish zlotys into transferable rubles. Coefficients have been developed for contributions to the authorized fund, for calculating inputs in coal and other production, for determining sale prices of coal to the Hungarian side, etc.

This system achieves greater accuracy than currency exchange rates when evaluating money inputs for production, but too many coefficients make the evaluation process very labourious. Also, the coefficients have to be regularly readjusted. For this reason along with their improvement a thought should be given to other ways of solving this problem, for example, to introduce mutual convertibility

of the partner-countries' currencies.

Another problem is profit distribution. Constitutive documents provide that after deductions for various funds the profits of a joint venture, including hard currency earnings, are distributed among its partners in proportion to their contributions to the authorized fund.

In practice, however, some joint ventures use different methods of profit distribution. The Friendship mill's partners, for example, have agreed to let the enterprise use all profits at its own discretion for forming various funds.

Analysis indicates that successful operation of joint ventures presupposes that their managerial mechanism reflects the specifics of joint economic activity based on planning and a system of indicators ensuring high effectiveness and specific results for every partner from its operation. The plans have to be approved by all partner-countries and coordinated with their national economic plans.

For example, the production and financial plan of the Haldex enterprise includes the following indicators: quantity of processed coal wastes, quantity and quality of recovered coal and raw materials, cost of recovery, prices for products, depreciation and other deductions, profits, and coefficients for the exchange of zlotys into transferable rubles. These indicators are approved respectively by Hungary's Ministry of Heavy Industry

and Poland's Ministry of Mining and Power Engineering.

The Friendship mill's plan includes the following indicators: volume and assortment of products, productivity per worker, basic cost of products, cost of raw materials, bonus fund for engineers and technicians, rate of profit, etc.

The Interlighter company's planning indicators are few. They must fully reflect the specifics of the Danube lighter transportation system and are as follows: volumes of freight traffic, available transportation facilities and their use (including the use of partner shipping companies' facilities) and the financial results of economic activities. The company's plan is coordinated with the plans of participating shipping companies and the partner-countries' national economic plans.

Analysis of the running of existing joint ventures can help the effective organization and development of new similarly formed ventures, and socialist economic integration will be enhanced by widening the use of this form of cooperation.

<sup>1</sup> See. V. Shishov's article on joint Soviet-Mongolian enterprises in *Foreign Trade*, No. 3, 1987.

<sup>2</sup> *Pravda*, September 8, 1986.

<sup>3</sup> *Ibid.*, July 25, 1985.

<sup>4</sup> *Problems of Developing the CMEA Countries' Production Infrastructure*, Collection of scientific papers. International Institute of Economic Problems of World Socialist System, Moscow, 1986, p. 201.



## IMPORTANCE OF INVESTMENT BANK TO CEMA INTEGRATION

Moscow FOREIGN TRADE in English No 6, 1987 pp 15-17

[Article by Vadim Zholobov, executive secretary, International Investment Bank]

[Text]

The 27th CPSU Congress and the congresses of the other fraternal parties have called attention to many new aspects of the socialist countries' economic development. In particular, the accelerated transfer of their economies to the intensive track of development and the efforts to raise their efficiency through improved use of the fixed assets are accompanied by substantial changes in their investment policy and a rise in the role of the financial mechanism in capital construction. The International Investment Bank (IIB) plays an important role in accomplishing this task.

The Bank is actively involved in the intensification of the socialist economic integration. This work is handled in close cooperation with respective banking, planning, financial and foreign trade agencies of the CMEA states, with the CMEA Committee for Cooperation in Planning, with the CMEA Standing Commissions on Finance and Monetary Ques-

tions, and on Foreign Trade, with the Secretariat and other CMEA bodies.

The Bank's principal purpose is to assist the implementation of the socialist countries' strategic course, the acceleration of social and economic development. Specifically, this implies financial coverage while developing production specialization and cooperation, scientific and technical cooperation, consolidation of the national fuel, energy and raw material supply systems, and construction of economic projects of mutual interest.

Over the past years, the International Investment Bank has made a sizable contribution to the progress of the socialist countries' national economies. Its credit has financed the construction of important industrial and infrastructure projects which play a notable role in the economies of the socialist community members. The following data illustrates this.

The export of products to CMEA states from the projects

built with the use of IIB credit has totalled more than 28,000 million transferable rubles. This includes the delivery over the past 15 years of about 100,000 million cubic metres of natural gas, more than 170,000 trucks and buses, more than 47,000 lift trucks, 1,700 million transferable rubles' worth of press and forging equipment, 4,100 million transferable rubles' worth of farm machines, and lots of other products. In this manner, IIB credit has promoted mutual trade among the socialist states and reduced their dependence on imports from the capitalist countries.

The Bank is giving great attention to financing the technical reconstruction of existing works, showing preference for their expansion and modernization as compared to the construction of new projects. Of the overall volume of credit issued by the Bank, 70 per cent went on the expansion, modernization and technical retooling of production. The largest credits were granted to machine-building, metallurgical, chemical and transport enterprises. This policy is in line with the changes in the investment strategy of all CMEA countries, which are aimed at reducing construction times, at concentrating material and financial resources and at raising the effectiveness of capital investments.

An important sector of the International Investment Bank's activity is the Comprehensive programme of the CMEA Member-Countries' Scientific and Technological Progress Until the

Year 2000, which was adopted in December 1985. The Bank is actively involved in financing its major projects and undertakings. In the coming years the CMEA states will be developing fundamentally new technologies through pooling their efforts and organizing cooperation in five priority areas which include computerization, comprehensive automation, atomic power engineering, production of new materials, and biotechnology. Financing projects in these particular spheres is the IIB's primary concern at the moment.

Here are a few examples. The Bank has provided credit for the expansion of production at the Beroe robotics plant in Bulgaria. As a result of that expansion, the output of robots will increase 3.8 times, and the volume of export to other socialist countries will go up to more than 70 per cent of the overall production volume. Credit has also been granted for the modernization and expansion of a metal-cutting machine factory at Asenovgrad, also in Bulgaria. This is to be done through the introduction of flexible automated production systems.

The Bank has recently issued its fourth loan to the Ikarus bus works in Hungary. Effective use of that credit by the works—and that is practically guaranteed as the Bank's first three loans have enabled Ikarus to become one of the most efficient enterprises in its industry—will help boost labour productivity, reduce energy and materials consumption and step up the production

and export of the buses. In 1986-1990, the plant will supply CMEA states with more than 50,000 modern buses and export them to other countries as well.

IIB credit has also been used to expand metal-cutting machine tool production at the October 7th production association in the GDR. That credit will enable the association to step up output and upgrade product quality by expanding the production facilities turning out production modules, flexible production systems, transfer lines, lathes and grinding machines.

For the purpose of production rationalization and modernization new credit has been issued to the Polygraph plant in Leipzig, the GDR. The money will be used to buy high-productive numerically-controlled machine tools and computer equipment. By 1992 the plant will better its output by more than 60 per cent.

Quite recently a loan was given to the Mera-Pnefal plant in Warsaw-Falenice, Poland, turning out special devices and appliances for automated control systems. The IIB-financed Synthesia plant in Czechoslovakia, which produces organic dyes and semi-finished products, will start the production of pigment dyes which have high thermal and chromatic strength. When the plant is fully operational, it will satisfy socialist countries' demand for such products.

One should mention the concessional terms on which IIB credit is granted to the non-European CMEA members in order to bring their economic develop-

ment level closer to that of the other fraternal states. For example, Mongolia has received such concessional loans in transferable rubles for modernizing one of its worsted mills at a 1.5-per-cent interest rate and Cuba at two per cent for the construction of four sugar mills, whereas the average interest rate the IIB charges is three to five per cent. The Bank will continue to help those two countries and also Vietnam to accelerate their economic development.

Up to January 1, 1987, the Bank had issued loans for the construction of 103 projects whose estimated cost exceeds 20,000 million transferable rubles. The aggregate sum of all those loans stands at about 5,000 million transferable rubles.

The IIB is an efficient enterprise and its profits are shared among the CMEA states. As of January 1, 1987, the Bank's balance stood at 2,566 million transferable rubles.

The Bank actively operates on the world credit market and maintains correspondent relations with more than 300 banks in the socialist, developing and capitalist countries. The IIB has close links with banks in the FRG, Great Britain and Japan, in some of the Scandinavian countries and also in France and Italy. The IIB receives credit from Western banks on easy terms, largely thanks to the Bank's first-class reputation.

The Bank keeps drawing and placing deposits in various foreign currencies. As an investment agency, the Bank has suc-

ceeded in establishing good contacts with such regional banks as the Asian, African and Inter-American Development Banks and with the European Investment Bank.

Now the IIB has in effect completed extensive work on verifying potential objects for crediting in 1986-1990. That work was done on the basis of coordination of the CMEA states' economic plans for that five-year period, with due regard for the decisions ensuing from the CMEA Summit Economic Conference and for the priority directions of cooperation which were approved earlier.

This means that those objects of crediting will be closely associated with the implementation of measures envisaged in the Comprehensive Programme of Scientific and Technological Progress, the Coordinated Plan for Multilateral Integration Measures for 1986-1990, long-term specific programmes of cooperation and production specialization and cooperation schemes so that their products will raise and strengthen the community's technological and economic capabilities.

The coming years are to be marked by the extensive development of direct ties between enterprises and associations of the community members. The Bank is paying great attention to that issue.

The Bank plans its activity proceeding from the conviction that the financing of enterprises which maintain direct ties with one another contributes to the

more effective use of the still latent, unused economic and scientific opportunities. For instance, in October 1986 the 42nd session of the IIB Council in Warsaw approved a credit application from the Bulgarian production association Metal-Working Machines and Robots which has established direct ties with the Ivanovo Machine-Tool Association bearing the honoured name "50th Anniversary of the October Revolution" (USSR). As a result of new investments good opportunities will be created for the production of high-quality items incorporating the latest advances in science and technology and meeting the requirements of the world market. Between 1987 and 1993 the Association's exports to other CMEA states will more than double.

The IIB plans to offer credits to joint ventures in socialist countries and to their international economic amalgamations. The Bank will also take into consideration the structural changes taking place in the sphere of foreign economic relations of the USSR and of other socialist countries. At the moment, the Bank is involved in financing the construction of the Progress gas pipeline (over 4,600 kilometres) from Yamburg to the western border of the USSR. All European CMEA members have expressed their interest in the construction of that pipeline whose design contains some unique technical ideas. The pipeline comprises a gas transmission system, compressor stations, control and telemetry systems, repair and



maintenance services and others.

The construction of such a sophisticated and powerful pipeline whose design incorporates some fundamentally new engineering ideas has called for the use of the latest materials, equipment, highly productive welding units and other construction mechanisms. For this project, the participating countries pooled not only their financial but also material and manpower resources.

This crucial integration project of the current five-year plan period will play an important role in settling the fuel and energy supply problems of the socialist countries. A pressing task at the present stage of financial and credit cooperation among the fraternal states is to refine the

mechanism activating the CMEA's credit policy. Coordinated efforts in that field must rest on a permanently working basis and meet the interests of all fraternal countries.

The present on-going reorganization of the national economies of the CMEA states calls for substantial changes in the investment process. To this end, the Bank is streamlining its organizational structure and working out a more effective mechanism for crediting and control over the projects under construction and modernization.

The IIB's operations witness the great importance that credit plays in socialist planning. The Bank will do all in its power to promote broader cooperation among the CMEA states and help their scientific and technological progress.

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NEW PROCEDURES FOR INTERBLOC TRAVEL OUTLINED

Moscow SOVETSKAYA ROSSIYA in Russian 30 Jul 87 p 3

[Unattributed article: "In the Interests of Cooperation"]

[Text] With the goal of an effective review of questions concerning the implementation of multilateral cooperation with the socialist countries, the procedure for the exit of Soviet citizens to socialist countries has been simplified and cooperation with them by way of local contacts has been improved

It has been stipulated that ministries and departments of the USSR as well as those of union and autonomous republics, central and republic organs of public organizations, directors of enterprises and associations, institutions of science, culture, education, health care, higher and secondary educational institutions, means of mass information and creative unions, as well as party, soviet, trade union, Komsomol and other public organizations which are implementing contacts with their foreign partners in the socialist countries, will independently send delegations or individual workers to all the socialist countries for a period of up to one year. Trips for CPSU members are coordinated with the party committee (party buro), for Komsomol members with the Komsomol committee, and for trade union members with the trade union committee (trade union buro).

Permission to leave on short term business trips for directors of associations, enterprises, institutions and organizations participating in cooperation with partners in the socialist countries is granted according to verbal (operative) coordination with the leadership of the correspondent ministries, departments or other central institutions.

Travel to socialist countries is based on plans or quotas of inter-party, parliamentary (on the level of union republics), economic, scientific-technical, ideological, cultural or sports contacts as well as on cooperation between social organizations and tourist exchanges. Agreements and contracts concluded by USSR enterprises and organizations with partners in the socialist countries are also on a similar basis.

Trips not stipulated by plans or quotas can be made, given the presence of the necessary funds and with the coordination of ministries, departments or central organization, according to subordination.

Local party organs will now independently decide questions of cooperation by way of local friendly contacts and establish the necessary business contacts both with partners and outside the framework of existing ties.

The USSR Council of Ministers State Committee for Foreign Economic Relations is directed to review questions connected with the organization of direct product exchange between neighboring regions of the USSR and fraternal countries.

In case of necessity, the possibility is foreseen of transferring Soviet specialists, sent to one of the socialist countries, to another socialist country with permission of the leaders of those travelling from the soviet organizations.

The ministries of foreign affairs of the union republics, the ministries of internal affairs of the autonomous republics and the administrations of internal affairs of the kray, oblast and city executive committees will give service passports to those travelling to socialist countries on the basis of representation by the leaders of the ministries, departments, associations, enterprises, institutions and organizations located on their territory.

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U.S.-USSR DIALOG ON JOINT VENTURES

Moscow MOSCOW NEWS in English No 29, 26 Jul-2 Aug 87 p 7

[Interview with Marshall J. Goldman by Natalya Izyumova]

[Text]

The Soviet Union's decision to set up joint ventures has evoked no small interest among the West's business circles. Upwards of 250 proposals have been received from firms in many countries. However, as we were told at the State Foreign Economic Commission of the USSR Council of Ministers, a large part of the submitted applications has not been backed with technical-economic specifications and in all probability the number of such ventures will not be great for the time being. As of today seven such ventures have been formed with the participation of firms from the FRG, Finland, Japan and India.

The problems arising in the establishment of joint ventures are dealt with in an interview with American Sovietologist **Marshall J. Goldman**. A Professor of Economics at Wellesly College, an Associate Director of the Russian Research Center at Harvard University, Marshall J. Goldman is known as an expert on the Soviet economy and the author of many books, including the one that has just been published in the United States under the title **Economic Reform in the Age of High Technology. Gorbachev's Challenge**.

Our editorial staff does not see Goldman's view as being final. In publishing this material we hope that the discussion will continue. In this way MN will help build bridges between Soviet organizations and foreign firms that are interested in setting up joint enterprises in our country.

I HAVE studied the Soviet economy for several years and now would like to share some of my considerations concerning the Soviet reform of foreign economic relations. Following China and Hungary, you have arrived at what I see as a very correct idea of setting up joint ventures with foreign capital. This is the most advanced form of businesslike cooperation. And for the following reason.

The USSR buys technology abroad. But several years later it becomes morally depreciated, especially in cases when a new generation of similar technology appears in the West. And the replacement terms of such "generations" are being constantly reduced today and amount to two to three years on the average. In the event of a joint venture you will not have again to turn to the Western supplier since the foreign partner will be personally interested in the permanent renewal of joint production facilities.

Another example. The results of opinion polls

conducted among more than 100 firms exporting their machinery and technology to the USSR have shown that the performance efficiency of the imported equipment installed in your country amounts to 80 per cent on the average of the productivity level of similar equipment in the West. The reasons? They are old and well known: the generally low level of the organization in the USSR of the purchases of foreign-made equipment, its careless operation and untimely installation (there have been cases of costly equipment lying unpacked for a long time at warehouses), the saving of foreign currency on spares, etc. Joint ventures preclude all these negative factors. The Western partner will be vitally interested in the equipment working efficiently, training the Soviet personnel to operate this equipment, providing managerial expertise, in short, organizing production on a Western level.

Q.: What, in your opinion, are the main



problems confronting those Western firms which have expressed a desire to set up joint ventures in our country?

A.: I have the impression that the proposals from Western firms were received so quickly in the USSR not because all businessmen were interested in this. The representatives of some firms told me here that Soviet partners used to pressure them - demanding that they write letters on their intention to set up joint ventures, threatening otherwise to reduce or, in general, discontinue the purchase of their goods. But what does it cost for a business person to sign a paper which is in no way binding on him or her? What is it - the fulfilment of just another "plan" in order to report on it?

One of the problems business people have encountered is the difference in the partners' objectives. The Soviet partner is interested in boosting the export of goods made by the joint venture, and the foreign partner - in marketing these goods in the USSR because in the West they will compete with goods already available there.

Some Soviet specialists are now accusing Western firms of trying to set up joint facilities which utilize not the most advanced technologies. However, not everyone here understands that for the time being it is simply not profitable for them to manufacture high technology goods in the USSR. Take video tape recorders, for example. To make them in the USSR, it would be necessary to import all their components. Why? It is much simpler to produce them in South Korea, Taiwan, Singapore or Hong Kong, where all the right conditions have been provided for. This explains, in the main, why many Western firms are reluctant to offer the Soviet Union projects based on the use of the most advanced technology. However, when the appropriate conditions appear, when business people can count on amassing greater profits here than in the aforementioned Hong Kong, then such proposals will also be forthcoming beyond all doubt.

There is also the question of currency provision for the joint venture. The point is that, due to the absence of components necessary for a number of production areas, they will have to be imported. But how, this being the case, will it be possible for a foreigner to get his share of the profit in hard cash? And what about, for example, the joint production of footwear, clothing or furniture for Soviet consumers? In what way will the foreign partner compensate his currency inputs? So far I see no solution to this problem, although there are some who believe that the way out here is in the use of the so-called principle of replacing the imports with goods manufactured at the joint enterprise.

Business people also have another apprehension. If the firm launches joint production and gives its trademark to the output, it must be in a position to control production and dismiss careless workers who are to blame for a deterioration in the quality of output. But such

demands may spark a conflict with the Soviet partner, all the more so that the latter's share of the joint stock will always be greater.

Q.: Many business people have repeatedly said that the existence of such problems conditions their desire to start joint ventures with small and technologically relatively simple projects...

A.: However, the USSR is still strongly afflicted with a disease known as "gigantomania" - a desire to start at once with large-scale projects. But Western entrepreneurs do not want to lose money and will not accept projects unless they are sure that they will bring them profits.

I remember a curious case on the theme of "gigantomania". In the mid-1980s I came to the USSR as a member of a trade delegation. On the same group with me was the founder of one of the USA's biggest supermarkets. And the question was raised about the possibility of planning and building the same supermarket in the USSR. Instead, the American offered several small-size stores. His idea was taken here as well-nigh an insult, to which the American replied that he did not want to offend anyone, he simply doubted whether it was worth while building a huge store if there was no abundance of goods to fill it with.

Many of the above problems are purely economic and can be solved. But I notice difficulties in the social sphere - the so-called bureaucratic overcautiousness. Western partners have the impression that people on whom depends the implementation of the foreign economic reform, including the establishment of joint ventures, are not quite certain about the long-term prospect in this course. Soviet economic managers are in general accustomed to various campaigns in economic policy, and want to insure themselves against responsibility in the eventuality that this policy is changed.

From the point of view of Western entrepreneurs, the resolutions adopted in the USSR appear sufficiently rigid and unprofitable. And the point here is not in the level of taxes - it is sufficiently easy - but in how, for instance, the prices of output are going to be fixed, how the marketing facilities will be established, what the Western partner's real participation in running the enterprise will be, etc.

Q.: What is the alternative?

A.: The need to provide incentives to business people and, for this, reduce limitations to the minimum. In Hungary, for instance, they simplified the procedure for establishing joint ventures and provided more favourable conditions of taxation for foreign capital. The foreign partner has been permitted to own the greater part of the fixed assets.

Indeed, in this case, the Western partner is in a position to amass superprofits. But the experience gained through the functioning of joint ventures across the world has shown that the price of such risk is not great and is more than compensated by advantages.

MFA PARTY SECRETARY ON COMBATTING FOREIGN TRADE ABUSES

PM091345 Moscow MOSKOVSKAYA PRAVDA in Russian 20 Jun 87 p 2

[Interview with Sergey Vadimovich Ozmidov, secretary of the USSR Ministry of Foreign Trade Party Committee, by M. Grodnitskaya under the rubric "Party Life: Frank Dialogue": "Out of the Protected Reserve..."--first graf is unattributed introduction]

[Text] There must not be any areas beyond criticism.... A huge fund of health-giving energy is contained in this principle. Indeed, wherever negative tendencies take shape, concealed for a long time from outside view, a favorable medium for them is also created at the same time. But then the fence protecting a department is removed. Internal problems become public knowledge. There is a serious moral crisis in the life of many collectives. They must now be taught, step by step, responsibility and severe exactingness toward themselves. What is the party organizations's role in this difficult process? Today we discuss this with Sergey Valimovich Ozmidov, secretary of the Ministry of Foreign Trade Party Committee.

[Ozmidov] In order to discuss today's tasks, we must obviously recall our recent past. For many years affairs in the ministry were, as they say, in the ascendant. International trade turnover increased and we provided the country with much foreign currency. In short, we were a flourishing superpower. Awards poured forth as from a horn of plenty. At the end of the 5-year plan we used to receive them by the hundred. Gradually a spirit of self-admiration and self-glorification took firm root in the ministry. The slightest dissatisfaction with our work from outside was suppressed without special difficulty. The prevailing philosophical principle was: Nobody's perfect. But the whole point was that trade turnover was actually increasing mainly on the basis of increased oil prices. And the official guideline prescribed the development precisely of raw material exports. So the raw materials imbalance in trade turnover did not bother anybody particularly. And when after all the question arose of the need to change the structure of exports and imports and the need to sell more machinery rather than raw materials, it turned out that this task was too complex for us. Too many problems had accumulated within the collective.

The results of a check on the ministry by party organs and their harsh appraisal of everything that had happened in our ministry had the effect of a

cold shower. Instances of personal abuses by a number of employees, including leaders, were uncovered--bribe-taking and speculation. Very flagrant errors in commercial activity were revealed, whereby the country incurred considerable losses by paying too much or receiving too little foreign currency through incorrect (to say the least) actions by foreign trade personnel. The "Soyuznefteeksport," "Eksportkhleb," "Prodintorg," and other foreign trade associations distinguished themselves particularly here. Naturally punishments and party proceedings were instituted against many ministry personnel for this.

Unseemly affairs "blew up." Thus, former staffers at the "Soyuzveshstroy-import" Foreign Trade Association received bribes of jewelry, radio equipment, and foreign and Soviet currency. The bribes were for preference shown in issuing orders to this or that firm. And if only they were the only ones! In essence this is what former Deputy Minister Sushkov was convicted of. But in respect of his case, at the representation of the USSR Prosecutor's Office, we have to institute party proceedings against a large group of party members. These people, knowing what was happening, either helped the criminals or failed to intervene.

[Grodnitskaya] The party committee now seems to be the organ that delivers the punishment?

[Ozmidov] Of course this is by no means the main point of our work but, alas, today we are forced to finish off what was left undone before. To call to account those who should already have been made answerable. These "retrospective" actions take a lot of time (after all, ours is a big organization). But without a fundamental appraisal of what has happened, which we give virtually every day, we cannot move forward. Nor can we convince people that they have ceased to be the inhabitants of a protected reserve and that they must be really responsible for each of their steps. Without accountability the probability of errors (both conscious and unconscious errors) increased considerably.

[Grodnitskaya] While analyzing the past, what do you consider to be the main element in your work for the present and for the future?

[Ozmidov] Cadres, cadres, and again cadres. Essentially, everything that has happened is the result of failures of cadre policy. Cadre appointments were concentrated in the hands of the leaders. They were shrouded in impenetrable secret. The party committee tried to interfere in these matters, but unsuccessfully. In fact we were not permitted near them. But what does it mean to work in a foreign trade organization? Many people regarded it as an advantageous and cushy job, with trips abroad and total immunity to criticism. For this reason people strive with all their might to get into the ministry of foreign trade system.

We possess data from an analysis on kinship relations among all those who work in the Ministry of Foreign Trade system. The concept of nepotism has been

has been extended to specific ties between people. And? One-third of ministry employees, including the central apparatus and foreign trade association, were related to each other in varying degrees. Even ministry leaders and cadre service workers were not excluded from this. There were those who held records in such matters. For example, T. Krasovskaya, senior cadres inspector of the "Soyuzvneshtroyimport," fixed up in the system her husband, her nephew, his wife, and his sister's husband.

The party committee gave a party appraisal of this very harmful phenomenon, defining the reason for it as protectionism. And it not only gave an appraisal, but also took tough measures to eradicate it. So far the number of employees with kinship ties in the system, including among the top leaders, has been successfully halved.

[Grodnitskaya] So what are the potential consequences of nepotism and protectionism?

[Ozmidov] The infamous "well, how can we fail to oblige a relative" made itself felt all the time and in all things. We know, for instance, that somebody drinks spirits to excess, but we still send them abroad. As a result, that person commits serious misdeeds there, so serious that he has to be recalled. These are of course extreme manifestations. But after all, how many other things there were--not so scandalous perhaps, but more serious in their consequences.

A person who has support--a helping hand, as people say--moves up the service ladder speedily, sometimes quite undeservedly. One of the principles of social justice is flouted. And work suffers! Because more worthy people remain in the shadows, simply forgotten.

Some people began to regard this crucial sector of state affairs as an area rich in opportunities for arranging their own affairs.

Take, for example, trips abroad. We reckoned that in 1985 alone ministry leaders of all levels spent in total several years abroad. Of course work is work. But all the same, how justified and necessary were their visits there?

Trade with socialist countries accounts for more than 60 percent of our international trade turnover. So is it these countries that the specialists visit? No. The overall number of trips there is much smaller than trips to capitalist countries. One of the former directors of an association spent 1 out of the previous 5 years abroad. But only 15 days in socialist countries. And that is a typical "geographical-temporal" breakdown of the trips taken by many leaders, who reserved for themselves a monopoly right to trips abroad, irrespective of whether or not they stay abroad was necessary.

[Grodnitskaya] So, how is everything that has taken shape over the years being broken down? It is known that leading personnel are being substantially



renewed. Former Minister N. Patolichev and Deputy Minister Yu. Brezhnev have departed. Indeed, virtually all the other deputies have been replaced. Such measures are needed when a disease goes too far. But a system of constant work with cadres is needed; that in itself would maintain a certain level of health in the collective.

[Ozmidov] We understand this very well. But I cannot fail to note all the same that it was only when the new leadership came in that we had the opportunity to shift from "understanding" to actions.

Now we have a firm rule in the ministry:

Whenever somebody is approved in a post, whenever there is a trip abroad, or whenever communist leaders' reports are heard on their fulfillment of the regulation demands (this is now due regularly at open party meetings), a nonformalistic and strictly individual performance appraisal report is approved. Whereas before people were as alike as two peas! How is it possible to work with people without knowing them?

Making use of statutory law, compulsory dual responsibility of communists for violations in production activity was introduced. It was an extreme measure by and large.

The most important factor guaranteeing the correct functioning of the whole cadre system is an effective reserve for promotion. Here we have a whole raft of work to do. When cadre work was behind the seven seals and posts were occupied for many years, a reserve was not somehow very necessary. And it all "dissolved...." We are trying to make good the omission, but it is very, very difficult. A statute on a cadre reserve has been elaborated. We are even going so far as a competitive system of appointment to the posts of firm or section leader.

[Grodnitskaya] Insofar as the pace of renewal of your life is rapid, are you experiencing "material resistance," and how are you overcoming it?

[Ozmidov] All our work consists in overcoming obstacles. We begin, as they say, with ourselves. New work, new in content, is required of us. We ourselves must find the causes and "cure" the disease that has been eating away for many years. We have taken the first steps. The standard of criticism has been raised and there has been a sharper and more pointed discussion at joint session of the collegium and the party committee. Cadre questions have started to be tackled more honorably. And this increase in the party committee's authority and role at this stage has dulled the keenest of our perception of the whole complex of problems which Moscow CPSU Gorkom bluntly pointed out to us. But it seems to me that we have been able to overcome a recurrence of the "foreign trade" disease. We realized that there would be no real changes until the principle of open and democratic discussion was established in the very first component--the grassroots party organization. And that it is precisely through these party groups that the forward line of all educational work must run.

And it is here that the most difficult work awaited us.

It is difficult to convert people accustomed to a position of impunity to a different scale of measurement of their own work. Unfortunately, many examples can be cited here. For instance, at a meeting of the party-economic aktiv of the "Soyuznefteeksport" and "Eksportkhleb" associations during a discussion of shortcomings revealed there, none of those present gave a principled party appraisal of what has happened. A former "Stankoimport" employee had committed a crime, made possible by a negligent attitude to matters and connivance on the part of the leadership. The party group was assembled to discuss the situation and--nobody was punished, nobody was convicted.

And we have come to the conclusion that the skating about occurs because the plenipotentiaries of restructuring--those whose first duty is to bring the party's proclaimed principles to the notice of every person, our primary organization secretaries--have lost their militancy and are unable to assist in the cause of improving and renewing public life. As we were forced to ask Moscow CPSU Gorkom to allow us to hold an extraordinary report and election campaign. We held it in March this year. Attempts were made to reveal the, so to speak, informal leaders in a collective in advance, and the established public opinion on this subject was studied. People were oriented toward active participation in the major event which would largely determine our future life. As a result I can say with a clear conscience that in a majority of organizations a completely self-critical and open discussion was held. Only 72 percent of primary organization secretaries were reelected. The number of leaders in elected party organs was halved. We are pinning great hopes on these new people.

[Grodnitskaya] You seem to be making good the omissions. But life puts forward new tasks all the time, and they must be tackled so that the lag does not increase. Now many foreign firms are being transferred to industry, and the gap between manufacturer, seller, and buyer is being eliminated. A great detachment of production workers engaged in this sphere of activity will be dealing with foreign trade questions.... And they have to be trained....

[Ozmidov] In our Academy of Foreign Trade the notorious nepotism and protectionism and acceptance by telephone have also flourished for many years. And this also falls into the category of cadre omissions. A reduction in exactingness toward entrants to the academy has in the end developed into an inability on the part of its graduates to do not only leading but even day-to-day work. And here too we must impose order.

We are still only at the very start of the road of overcoming obstacles. The prestige of one of the state's major institutions has to be restored, and it can only be restored by honest, consistent, and open actions.

/12232

CSO: 1825/226

LENINGRAD FIRM'S EXPERIENCE IN FOREIGN TRADE

Moscow EKONOMICHESKAYA GAZETA in Russian No 21, May 87 p 20

[Interview with V. Danilyevsky, manager of the Izhor factory's foreign trade office, by IZHORETS correspondent M. Matrenin: "First Contracts"; first three paragraphs are source introduction]

[Text] A topical interview

The Leningrad manufacturing association's Izhor factory imeni A. A. Zhdanov is one of the enterprises which this year acquired the right of direct access to foreign markets.

The basic production of this industrial giant consists of equipment for atomic hydro-electric plants, various types of excavating machines with bucket capacities of 8 to 10 cubic meters, and rolled iron and forgery. The Izhor workers have been involved in the construction of a number of hydro-electric plants both in our country and abroad, e.g., Nord in the GDR, Kozloduy in Bulgaria, Paks in Hungary, and Lovisa in Finland. The association produces between 290 and 360 tons of open-hearth ingots, and the "5000" plate-rolling mill is proving its productive capacity.

The Izhor foreign trade office was recently set up within the association. V. Danilyevsky, the office's manager and deputy general manager at the Izhor factory for foreign economic relations, talked with M. Matrenin, a correspondent for the popular newspaper IZHORETS, about the office's first steps and its promising work.

[Danilyevsky] The Izhor factory has acquired the right to independently set up an import-export operation. Such trust entails great obligation. Before now we of course dealt with agents from the all-union associations Energomasheksport, Tekhmasheksport and others. We used to get from them lists of orders whose prices were set by their domestic market values.

In other words, we were free of many organizational, financial, and legal problems. We were not even concerned with the transportation of the goods to their destination. As soon as production left the factory premises, our worries were over. The expansion of rights in economic activity abroad

brought greater obligations as well. Now we must go out on our own and boldly enter the world market. We have to react more sharply to changes in demand and to increase the competitiveness and quality of production.

[Matrenin] How is the factory's foreign trade office structured?

[Danilyevsky] It is made up of 2 departments: the foreign trade department and the commercial department. The first is practically at full strength already. It includes all the formerly uncoordinated factory services that worked with representatives of foreign companies in the area of scientific and technical collaboration. There are about 20 people in the department, including the translators from the patent office. And in the commercial department there are at this time 6 people in all. But considering the prospects for the increase in our foreign trade activity, we will need 17 to 20 people trained in this field.

I would add that during this organizational, transitional period, we are being assisted by the officials of the Energomashexport association established by our ministry. We hope that our mutual understanding and assistance will grow in the future.

[Matrenin] All the export deliveries for the current year were obviously concluded before the Izhor foreign trade office was in place. When does the office intend to conclude its first contracts independently?

[Danilyevsky] Unfortunately, we inherited what might be called a tangled legacy from our predecessors, the all-union associations of the Ministry of Foreign Trade. These associations began to do slipshod work toward the end of last year on the eve of their reorganization. But we did not yet have the resources or the right to assume their function. So it turned out that a number of promising export products have no contracts for 1987.

There are, for instance, no customers at present for 6 high-quality excavating machines with 15-cubic-meter buckets earmarked for export in the state plan. We are also seeking buyers for forged goods, since contracts were not concluded on time or in complete fashion. Here's another example. The former all-union association Texmashexport was conducting negotiations to supply the West German chemical industry with forged goods. The contract was never signed, but they forgot to inform us about it. And there we were, working away at making forgery for export and didn't find out until the shipment was in port that nobody in the FRG was expecting it. That's just one of the strange cases.

[Matrenin] The association has great possibilities, but do potential foreign clients know about them?

[Danilyevsky] Advertising is indeed very important for us. Customers must find out about our products and have the opportunity to select and compare. This is more than a matter of just brochures and posters. We need a commercial advertising that would stress the positive aspects of our products in comparison to those already on the world market. Sometimes we are too shy to make a show of our own resources. I'll give a concrete example. Our 15-cubic-



meter excavating machine was working at a cut alongside an idled Japanese model. The workers became angry and asked, "Who wasted money on this unreliable machine. Our own machine is obviously better in every way!"

A significant portion of our production has a good chance for export to foreign markets. There are the excavating machines, their spare parts, high-pressure vessels for the chemical industry, forgery for power units, rolled iron, and steel plate and pipes. And of course it's necessary to systematically acquaint our foreign partners with the merits of Soviet products.

[Matrenin] How will the money earned from exporting products be divided?

[Daninyevsky] Forty-five percent of the freely convertible currency will go to the association, and 9 percent of the export credits will go to Comecon member countries. With this money we will be able to purchase machine tools and equipment from abroad. Hungary, China, Yugoslavia, Austria, and the Federal Republic of Germany are expressing interest today in the association's products. We are garnering our first experience in concluding contracts independently. We are conducting negotiations with the Yugoslav firm Rade Konchur to supply forgery. The Austrian firm Elen Union and Chinese machine builders are also interested in forgery. Rotor shafts are attracting interest too. The "5000" mill is especially promising. Business people in Austria and other countries have become interested in this mill as a source of wide plate iron. There is already a contract to supply 15,000 tons of plate in 1967.

Of course, it's not easy to start a new business. But I'm confident that we are up to the task.

9992

CSO: 1825/207

APN CHAIRMAN FALIN DESCRIBES CONVERSATION WITH CHARLES WICK

PM181223 Moscow MOSCOW NEWS in English No 24, 14 Jun 87 p 6

[Interview with APN Chairman Valentin Falin by Yuriy Bandura: "Let's Be Businesslike"]

[Text] The other day, the VOICE OF AMERICA reported that while on a visit to Moscow, Charles Wick, Director of USIA, was interviewed by Valentin Falin, Chairman of the APN Board. According to VOA, Charles Wick found the APN Chairman's statements offensive to the United States and consequently interrupted the meeting. "MN" correspondent Yuriy Bandura asked Valentin Falin to comment on the said report by the VOICE OF AMERICA.

Question: It is most unusual for the head of a major press agency like APN to act as an interviewer. How can you explain your wish to interview Charles Wick?

Answer: Naturally, I had no intention to interview Mr. Wick, and I didn't. Director of USIA had expressed a desire to be received at APN, and his request was granted. The APN Board assumed that such a meeting would make it possible to discuss a wide range of issues in the interest of a more balanced and objective information exchange. It would be more correct to say that we hoped it would be so, because it was hard to predict the attitude of the person calling himself the "arsenal in the battle of ideas."

Question: Did you manage to discuss the issues APN was interested in discussing?

Answer: Unfortunately, we did not. Charles Wick opened the business part of our meeting with a tirade in which he alleged that APN was engaged in disinformation inimical to the United States. To justify that, he quoted a certain telegraph dispatch quoting (or rather summing up) a signed report circulated by APN about the CIA subversive activities against the developing countries.

Such a beginning did not augur well for our meeting. The director of USIA had apparently decided that, in his situation, attack was the best means of defence.

To leave USIA director's attacks unretaliated would mean to acknowledge, directly or indirectly, their truth. Therefore, although I was not at that moment familiar with the text quoted by Mr. Wick I deemed it necessary to state my attitude to the facts as such, without reference to the report in question. These facts are sufficiently well known from foreign, and specifically American, publications. For instance, the existence on the U.S. territory of state-owned and private training camps and schools for terrorists employed against other countries was reported by the ASSOCIATED PRESS in mid-July 1985; by the Japanese state-owned NHK TV network (in late September 1985), and THE PHILADELPHIA INQUIRER (the issue of February 12, 1987).

American instructors in Pakistan have been training mercenaries of various national extraction to be sent to neighbouring Afghanistan. Information about that, including samples of chemical weapons manufactured in U.S. labs and smuggled to the People's Republic of Afghanistan along with bandits trained by U.S. "experts," has been repeatedly brought to light by the Afghan authorities. How can one deny such facts?

It is no secret that the United States has been working on various "exotic" weapons, including the so-called ethnic ones. These are biological and chemical agents with selective action against people of different races, populating the same areas yet having different genetic susceptibility or vulnerability to these agents. Such facts are widely known, too. Take the report, circulated back in 1974, by Dr. Hammerschlag, an expert of the National Medical Center in Duarte, California, which he delivered at the symposium held in Los Angeles by the American Chemical Society, and the materials published in the journal, ABSTRACTS ON HYGIENE No 55, 1980).

As for misinformation, it is the weapon regularly used by the American side, and specifically by its government agencies. Not to mention the present administration, let me recall the shameful lies Washington told about the Japanese Squad No 731. Those monsters had been preparing for bacteriological warfare and conducting criminal experiments on people, including U.S. prisoners of war. Yet they found shelter in the United States in exchange for the information they agreed to hand over. At the government level, it was publicly declared that reports about Japan's bacteriological warfare research were "communist propaganda."

I also stressed that APN has been taking pains to avoid publishing unverified information. Yet we believe it is right to make use of serious press reports, the opinions of scientists and experts, even if they don't fit in with the established patterns. When a signed report is circulated through APN, it is primarily the author who bears responsibility for the accuracy of reported facts. Authenticity has always been and is the general principle of all APN activities.

Question: How did Charles Wick react to that?

Answer: As a matter of fact, the USIA Director did not dispute any of my points. "Hey, let's not just talk about the past," he said. "Let's identify what bothers us at the moment."

O.K. Let's talk about the future," I answered. And then Mr. Wick, in obvious contradiction to what he had said earlier, suddenly declared that he saw no point in continuing our conversation and began hastily to pack his papers. One can only wonder whether it was because he suddenly realized he had actually acknowledged the forced nature of his argument about "disinformation." Or, perhaps, he was not prepared to continue our conversation in a constructive tone. Or simply all he wanted was a show, and so he used the chance to improvise some melodrama....

I drew my guest's attention to the fact that his behaviour was inadequate. If Mr. Wick was really disinclined to continue with excursions into the past, there would be no objection on our part. Indeed, we are prepared to put the past in brackets and talk exclusively about the future. Our only condition is that we discuss it on equal terms, and not in the manner well loved by certain American officials for whom everything the United States does is right simply because it is the U.S. that does it, and everything the Soviet Union does is wrong just because it is done by the Soviet Union.

In reply, Charles Wick said that he did not have the background knowledge necessary to discuss the essence of the problem, but as a lawyer, he could not agree with the Soviet side's approach. He concluded by saying that apparently the time for an exchange of views between USIA and APN was not ripe yet. At that, the Director and his party walked out as a protest.

Question: What is your general impression of the American official's attitude and position?

Answer: What kind of impression can one have of another's inability to be businesslike and talk on equal terms? Once you start an exchange on a sharp note, you must be prepared for sharp words, and not just sweet smiles in reply. But American functionaries seem to have been spoilt by the amateurish shows they enact before the audiences prepared to spare their vanity and fall rapturously for every new trick of theirs.

I personally did not feel in the least tempted to polemize with the head of USIA. In contrast to debate, polemics can resolve no problems. Polemics can only breed more disagreements and misinterpretations.

Whoever is inwardly prepared for a serious dialogue is sure to be met halfway by APN. Perhaps, Mr. Wick and his colleagues need more time to understand what it is they really want. We shall see.

/8309

CSO: 1812/255



PENTAGON, WHITE HOUSE USE OF 'DISINFORMATION' ASSAILED

Moscow ZA RUBEZHOM in Russian No 28, 10-16 Jul 87 p 16

[Article by V. Selikh: "The Empire of the Lie; Disinformation and Slander are the Weapons of Psychological Warfare Being Conducted by the Imperialist States and, First and Foremost, by the USA Against the Soviet Union"; first paragraph is source introduction]

[Text] In attempts to justify in the eyes of the public the exorbitant expenditures on the arms race and the subsequent aggressive preparations, the imperialist circles of the Western countries--and primarily of the USA--are inventing incredible myths about Soviet "military superiority" and are crudely distorting the USSR's policies, sowing hostility and hatred towards our country. M. S. Gorbachev emphasized in a conversation with a delegation from the U.S. Congress' House of Representatives that it is necessary to abandon speculations attempts at interference in internal affairs and to get out of the habit of playing policeman and teacher. It is necessary to abandon the "manner of an enemy." In the current situation this is intolerable.

"Reagan is concealing the present course of his own administration in international affairs with half-truths, outright deception and the disinformation of enemies and allies..." This phrase in various interpretations can be encountered in press commentaries in nearly all corners of the world. "Irangate," low-standard even by American political yardsticks, and the disinformation campaigns against Libya, Iraq, Iran and Nicaragua have again conclusively indicated the devotion of the United States to the use of a barefaced lie to achieve its own political goals. It is no accident that in recent times the American public has been feeling serious anxiety because of the conversion of disinformation into one of the essential methods for conducting U.S. foreign policy. In this connection, articles by journalist (M. McLoughlin) under the heading "USA--a Nation of Liers?" have been appearing quite regularly in the magazine U.S. NEWS AND WORLD REPORT. The author points out that the "web of disinformation, half-truths and concealment of the truth, in which the representatives of the Reagan administration have become enmeshed, has caused a crisis in public confidence in the White House."

One lie always generates another and following the exposure of the dubious methods in the practical implementation of Washington's foreign policy course, numerous instances were disclosed of falsifications in scientific research on

strategic military matters. It has become known that American specialists have been taking part in the publication of scientific "works" intended to mislead others, including ones on such an urgent contemporary matter as the "Strategic Defense Initiative" [SDI]. In a report prepared recently by associates of the European Center for Nuclear Research (CERN), it was noted that the American administration and the president himself are deliberately deceiving the world community about SDI and that the thesis advanced by them on the development [sozdaniye] of an "impenetrable sky shield" is by its very nature disinformation. "This entire program is based on a lie, on deceit and on misleading both the enemies and the friends of the United States." In the opinion of scientists who already have all the grounds to say so, this lie is a distinctive "distinguishing mark" of the Washington administration.

The founder of the lobbyist organization Common Cause, J. Gardner, points out that "duplicity and deceit in public affairs are now more widespread than ever before." "We are constantly being bombarded by information which in actual fact is disinformation," said Clark University associate (K. H. Sommers), echoing him. Americans are particularly disturbed by the enormous collection of falsifications and lies with which the state institutions literally make fools of them.

#### "GLASNOST--A CHALLENGE TO AMERICAN PUBLIC DIPLOMACY"

In one of the March issues of the American weekly THE NATION, an article was published that had been written by M. Halperin, former assistant to the assistant secretary of defense and a senior associate of the National Security Council [NSC] and currently director of the (Center for National Security Research), in which he subjected to sharp criticism the U.S. administration's secret operations. He noted that "officials are lying to the enemy and then beginning to lie to their own public, to Congress and to other governmental departments." In 1986, for example, the American Society of Newspaper Editors felt compelled to send President Reagan a telegram protesting the use by the NSC, the CIA and the Pentagon of a disinformation campaign with regards to Libya. The telegram pointed out directly the fact that representatives of official circles were involved in the dissemination of fabricated reports which made widespread use of disinformation and a "well thought-out technique of lying" to achieve political and military goals.

The basic part of the disinformation is prepared within the walls of the White House, the Pentagon and the CIA and is intended for use against the Soviet Union or for igniting anti-Soviet hysteria in the United States itself and throughout the entire world.

The greatest degree of activeness in this matter in recent years has been displayed by the U.S. Department of Defense, since only the dissemination of all kinds of rumors about "Soviet might," allegedly based on secret information, in the opinion of C. Weinberger and company, can justify in the eyes of the American taxpayers, at least partially, the ever-increasing military budget. Thus, in December of last year, the Defense Intelligence Agency (DIA) made public a report on "The Threat of Soviet Biological Warfare Capabilities" in which it was asserted that the USSR's scope of efforts in this field allegedly "can not be justified as either for preventive, defensive

or peaceful purposes." This report was used by the Pentagon in an attempt to again divert the world community's attention from its own, massive developments [razrabotka] in biological and bacteriological weapons, which have become well known, and this has caused justifiable anxiety in the government circles of a number of states and within the United States itself.

NEW YORK TIMES correspondent (G. Smith) and ABC-TV commentator M. Gordon revealed to the entire world at the beginning of this year that the Pentagon, which possesses a great deal of experience in the dissemination of deliberately falsified information, is employing "active measures" (this is what the dissemination of disinformation is called in the USA) to psychologically prepare American citizens in the matter of the "Soviet threat." Mentioned as an example of this was the yearly publication of the booklet "Soviet Military Might" which contains disinformation materials specially prepared in the U.S. Department of Defense which call, in the opinion of the authors, for "compelling the average man to believe in the Russians' military superiority and to support the increase in American armaments."

Many foreign observers think that the policy of glasnost, which is gathering strength in Soviet society, has knocked out of the hands of Western disinformation specialists and anti-Soviet propagandists their main trump cards, which they have used for many years to slander the USSR. In February of this year, in the U.S. State Department's section "for analysis of disinformation and for Soviet measures," behind whose facade the specialists in the preparation of faked documents are concealed, a memorandum was prepared in which instructions were given to USIA associates on ways to prepare propaganda and disinformation material directed against the Soviet Union and the socialist countries of Eastern Europe. The memorandum pointed out the need "to seek new approaches" so that the "theme of the increase in dynamism in the USSR's economic and political affairs," which has received widespread elucidation in the international mass information organs, would be presented in the United States, first and foremost, with an accent on the negative phenomena associated with the renewal process in the Soviet Union.

It must be noted that even certain USIA associates expressed alarm because of the recommendations imposed on them which, in the final result, do not facilitate objectivity and also because of the agency's materials which have already been distorted systematically in conformity with the desires of right-wing conservative circles. They feel that in the propaganda plan the open attacks of the American mass information media on the policy of glasnost and the expanded democracy in Soviet society could yield an opposite effect in the United States itself. USIA director C. Wick published an article in the CHRISTIAN SCIENCE MONITOR which reflected his growing concern that the glasnost policy being carried out in the USSR "sharply narrows the USA's counter-propaganda opportunities." Giving a long speech at the fall conference of the (Advertising Federation of America), C. Wick devoted it to the theme "Glasnost--a Challenge to American Public Diplomacy." C. Wick highly unambiguously proposed promoting greater efforts in the area of disinformation aimed at the Soviet Union in opposition to their glasnost.



## "INFORMATION," PAID FOR BY THE CIA

Special mention must be made of the CIA. It is precisely in Langley that the majority of "canards" put out over the airwaves or in newspaper and magazine pages are generated. In September, 1986, in the magazine COMMON CAUSE, there appeared an article "The CIA's Secret Propaganda Campaign," in which it was emphasized that "the CIA, using disinformation, is attempting to influence public opinion in the USA and abroad and is directing an intense campaign of lies in the mass information media both in the United States and in Latin America."

CIA associates are supplying their own agents in Nicaragua, Honduras and Costa Rica with money to hire journalists and technical personnel in order to publish false materials in the local press and to conduct broadcasts for underground radio stations, etc. At the beginning of 1987, the Nicaraguan contras began broadcasting from Salvadoran territory over Radio Liberacion, which was established using CIA resources. In the USA they do not conceal the fact that the main tasks of the disruptive radio broadcasts in this region of the world are the discrediting of the Sandinista government of Nicaragua, the awakening of feelings of discontent among the populace of this country and the dissemination of the story that the contras are allegedly not Washington's henchmen and puppets.

Agents of the American intelligence services who have retired have not been shy about describing in their memoirs the dishonorable methods used by the CIA to influence public opinion. The published book "Dirty Work-2: The CIA In Africa," details how the U.S. intelligence service used the African press to promote falsified documents and disinformation materials intended to deceive Africa's political and social circles.

The former CIA station chief in Angola, (G. Stockwell), in one of his own numerous articles, recounts how his agents organized the publication of articles fabricated in Langley in the Zairian newspapers ELIMA and SALONGO, which willingly accepted "subsidies" from the CIA, and later sent them to be reprinted in the Western European press. Several months ago, reports were published in American newspapers about CIA efforts in the area of disinformation in Ghana, where the James Bond's from the shores of the Potomac promoted in the local press false information whose purpose was to undermine the people's trust in the Ghanaian leadership. The most widespread method used by the CIA and USIA associates, spread out throughout the entire world and involved in disinformation matters, is the dissemination among the local journalists of fabricated materials, of course, without indicating that they came from "Uncle Sam." Remaining thus in the shadows, the American intelligence service agents operate through the hands of the local citizens and, allegedly, in their name carry out a political policy that is advantageous for Washington in this region. Recently, the director of the State Department's section "for the analysis of disinformation and for retaliatory measures," (C. Bailey), completed an inspection tour through certain African countries, as a result of which, in the local newspapers there appeared an unusually large number of materials stuffed with American disinformation.



Even a person not familiar with the details of the activities of the intelligence services can follow the analogies in the striking campaigns of lies unleashed throughout the entire world. Both in the USA and, for example, in France, there has been an intense exaggeration of the theme "the theft of the Shuttle and Ariane rocket space secrets by the Soviets." Or the strikingly similar story about the "Russian seductress spies" who seduced not only a French rocket engineer, but nearly a company of American Marines who guard the American Embassy in Moscow. Even an FBI agent, "who followed Soviet diplomats in America," turned out to be inadequately resistant to their charms. Also being elaborated, although without much success, is the theme of "Moscow's ties with terrorists in all corners of the world," particularly those from "Action Directe," who killed Renault president J. Besse supposedly with the knowledge of the TASS bureau chief in Paris, etc. This all sounds really very improbable, even to the average deluded Western man.

Western disinformation has become an inseparable component of any anti-Soviet campaign. Quite recently, a decision was made in the French Ministry of Defense to establish a special organ allegedly for counteracting disinformation from abroad. In fact, its appearance was marked by a slanderous campaign against the TASS correspondents in Paris and the anti-Soviet hysteria of spy-mania and the violation of the civil rights of a Soviet citizeness, which entailed serious consequences for bilateral relations between France and the USSR. In the text of a statement from the Soviet Embassy to the French Ministry of Foreign Affairs, distributed on March 31st of this year, it was pointed out that the "campaign of disinformation and slander against the USSR, unleashed in the local mass information media..., has in recent days become even cruder and more provocative in nature."

Published items with anti-Soviet fabrications in the weeklies EVENEMENT DU JEUDI and LE POINT clearly pursued the goal of misleading the French public, although it can not be precluded that these publications themselves had been disoriented by disinformation thrown to them that had been fabricated in the corresponding organ of the French Ministry of Defense, which is testified to by the apologies offered subsequently to TASS. Associates of the military department's press service, officially denying their own participation in the referenced campaign, all the same gave us to understand that "unofficial paths for the transmission of falsified reports to the press organs allegedly can not be controlled." The termination of the affair against Soviet citizen L. Varigina (Verde) [sic] "due to lack of evidence of a crime" is proof that all these "affairs" had been maliciously invented from beginning to end.

The ruling circles of the USA and the other NATO countries, on the basis of their own mentality, are attempting to show in any of the actions of the Soviet Union in the international arena "disinformation, which conceals the Russians' aggressive intentions." The matter even took an odd turn: when it became known that UN Secretary General Perez de Cuellar gave instructions for the establishment of a new international service for gathering information, an article by B. (Hertz) was published on March 12th of this year in the newspaper THE WASHINGTON POST, in which, obviously with information from the American intelligence services, it was declared that "the UN agency for gathering and analyzing information can become a potential base for Soviet disinformation and propaganda activities since it is the UN's version of the CIA." As the saying goes, no comment necessary.

[signed] V. Selikh.

## HISTORIANS REPORT ON MEETINGS WITH U.S. SOVIETOLOGISTS

[Editorial report] Moscow SOVETSKAYA ROSSIYA in Russian 17 Jul 1987 p 5 carries an article by Leonid Shkarenkov, doctor of historical sciences, and Yuriy Igritskiy, candidate of historical sciences, reporting on contacts with leading U.S. Sovietologists during a recent trip to the U.S. The authors interviewed scholars on both coasts and noted "a sharp increase in interest in our country since the spring of 1985." They cite the large number of university programs and other research institutes which produce "dozens, if not hundreds" of works by professional Sovietologists on the USSR, its history, and contemporary life and point to the extensive access of these scholars to Soviet printed materials, as well as television broadcasts via satellite. By contrast they note that the American people, whose ideas about the USSR are determined in large measure by U.S. television, are in general poorly informed about the Soviet Union. According to Professor Stephen Cohen of Princeton University, U.S. authorities are to blame for this. The authors point out the following "curious phenomenon": "at the same time that the mass media are strongly supporting the confrontational policy of the administration using any sort of version of 'the Soviet military threat,' 'human rights violations in the USSR,' and 'the insurmountable crisis of socialism,' in academic (more precisely, university) Sovietology a realistic trend has gained strength, a trend which has called for the rejection of standard dogmas of anticommunism."

During their stay in the U.S. the two authors distributed more than 40 questionnaires to American experts, polling them on such topics as "can American studies on the Soviet Union influence the formation of relations between the two countries." In response Blair Rubel (New York) called for "freer exchange of opinions between American and Soviet specialists" and "honest acknowledgement of the really important differences between the two societies," which are quite large and will be a source of rivalry between the U.S. and the USSR for some time to come. Other Sovietologists called for attempts "to understand the character of the interaction between the behavior of both sides, the effect of one side's behavior on the position of the other, and the different values of the two societies and pointed out the significance of the changes currently taking place in the Soviet Union, glasnost in particular. The article concludes with a quote from a U.S. psychologist who reports support for Gorbachev's program by "almost all educated and enlightened citizens in the U.S." and says that "We do not see in these plans a threat to U.S. stability and prosperity."

JACK KEMP'S PRESIDENTIAL CAMPAIGN VIEWED

PM041421 Moscow IZVESTIYA in Russian 1 Aug 87 Morning Edition p 6

[Article by Melor Sturua under the "Joking Apart" rubric: "Operation 'Sympathy'"]

[Text] Jack Kemp, a Republican and member of the House of Representatives for New York State, is "trying on Reagan's mantle for size," the papers are writing at the moment. To put it plainly, he wants to be the next president of the United States. For this you need at least two things: Votes and money, or, rather, money and votes, because without the former you cannot have the latter.

So Jack Kemp is organizing dinners where a single ticket can cost as much as \$5,000 and even \$10,000. It is easy to see why not everyone can afford to share a table with Kemp in such circumstances. But "gourmets" are nevertheless to be found. They are attracted not, of course, by the menu at the Kemp dinners, but by his reactionary philosophy, because Kemp is the most right-wing of the Republican contenders for the post of president. "He is a superhawk among hawks," they say of Kemp among Washington political circles.

In this case the hardened politickers speak the truth. Kemp is effectively opposed to any agreement on disarmament with the Soviet Union, calling it a "nuclear Munich." Kemp is an apologist of neoglobalism and demands the active expansion of the U.S. sphere of "vital interests," if necessary by force. "Not for nothing was Jack a professional football player for 13 years," observers joke, alluding to the aggressive style of American football. But there is a less sports-orinetated characterization of Kemp's views in THE NEW YORK TIMES, rather than in the bleachers. The paper writes that his "concept is as follows: The United States must interfere in wars taking place in third world countries, wherever there is any possibility of combatting Soviet or Marxist influence. It must do this all over the world, irrespective of specific local conditions."

Kemp is himself incomparable in his anticommunist zeal. He has even enlisted for his team such inveterate "football players" as the "Anti-Bolshevik Bloc of Nations." This is a collection of East European emigres, many of whom fought in the ranks of the fascist Wehremacht during World War II and

cooperated with Himmler's Gestapo, such as, for example, late founder and chairman of the "bloc" Yaroslav Stetsko, a traitor and butcher of the Ukrainian people. But Kemp, "more Reagan than Reagan himself," addressed the riffraff of turncoats and international criminals, saying: "You deserve our praise and admiration for supporting the cause of freedom for all those who are fighting beneath the yoke of communist totalitarianism."

So Kemp solves his money problems by arranging dinners for millionaires, problems of freedom with the aid of Nazi criminals, and foreign policy problems with the aid of neoglobalism and nuclear blackmail. But what about the problem of votes? Jack Kemp solves this problem with the aid of the so-called "Sympathy" operation. This operation is a form of cheap (not only compared with the Lucullan feasts) demagoguery, of which Kemp is an acknowledged master. Here is just one example of operation "Sympathy" in action. Speaking in Seattle the other day at the National Federation of Republic Youth convention, Jack Kemp surveyed the serried ranks of golden--no quotation marks--youth and exclaimed, in unison, it is true, with Robert Dole, another contender for the presidency:

"I would like to see among those present in this hall 50 cripples, 50 black Americans, 50 Spanish-speaking Americans, and 50 Americans of Asian origin!"

Well, why, in the first place, only 50 representatives of various segments of not entirely "100-percent" Americans? But it is essentially not a matter of quotas. The essential thing is that the policy preached by Jack Kemp objectively results in new economic burdens for these pariahs and jeopardizes their social and human rights, including the most basic right, the right to live.

Yes, operation "Sympathy," which is being conducted by Jack Kemp and Co, resonates in entirely different ways in fashionable restaurants, in election headquarters, and in the apartments where those who missed out when the cup was passed round at the feast of the "promised land" drag out a miserable existence.

Amazing acoustics, don't you think?

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CSO: 1807/392



RUSSIAN AMERICANS OPEN FIRM IN MOSCOW

Moscow MOSCOW NEWS in English No 31, 9-16 Aug 87 p 7

[Article by Valery Dyomin]

[Text]

The advertisement "The Peterhof firm informs..." published in *Literaturnaya Gazeta* of June 17, 1987, announced the beginning of the firm's activities and gave its Moscow address. It is the first trade, mediatory and consulting firm set up by Russian businessmen (US residents), for servicing Soviet organizations and individuals.

MARIA BELYAYEVA, born American, is a graduate of Harvard University, and the firm's president and manager. She has been staying in the Soviet Union since the end of April and hopes to stay on with her two-and-a-half-year-old son Alyosha. To the question "How do you like Moscow?" Alyosha gave a sincere answer: "Not so much." "Why?" "Because my grandpop is in San Francisco."

Belyayeva's smile is truly American - radiant but a little artificial. At the same time, she has some Russian traits, too - a trustful and kind nature. She speaks perfect Russian, interesting because of a Ukrainian accent and English intonation.

Says Maria Belyayeva:

"There are hundreds of firms in the world which consult their customers on how to organize business well, where to find partners and how to make a profitable business deal. International Management Consultants, to my mind, is an absolutely essential element of modern economy. Let's say that a foreign firm offers you its product. Using our own business connections, our firm finds out where it is possible to buy a similar product but at a lower price, or a better one at the offered price."

"What is peculiar about the Peterhof firm is that its owners are Russians. Out of 50 people who agreed to take part in our venture, 40 are

Russian by nationality: my brother, Vladimir Belyayev, is an expert in finance, Nikolai Shemshin-Trubetskoi (a descendant of the Decembrist Trubetskoi) is the owner of publishing houses printing literature in medicine. Together with their families, they are ready to work in Moscow or in our offices which we plan to open in Leningrad, Kiev, Tbilisi, Yerevan and other cities. I think that the amount of work can be easily expanded. In the US alone there are several hundred thousand descendants of those who many years ago left Russia. They carefully preserve everything that is connected with their native land and its language. Even more people are scattered around the world, some of whom are rather well-off. What's wrong if your perestroika could use our ties, experience and money?"

"It is really so that Russians miss their native land, that they want to be connected with it somehow. Living for decades in the midst of Western culture, which is under the strong dominance of standards of a consumer society, we learned to distill from the Western experience things that do not contradict the values of 'Russian humaneness', as Dostoyevsky put it. Those who failed to learn this truth, those who assimilated, stopped being Russian."

"The owners of the Peterhof firm did not aim at solely deriving 'maximum profit', though it stands to reason that our venture should be profitable. We don't intend, for example, to be paid in hard currency for our services in the Soviet Union, including the staff members' salaries and buying necessary equipment. We hope to prove that all these payments can be done in roubles. We will contribute one-third of the firm's income to the Soviet Culture Fund. It is appropriate to remember here the former Russian 'businessman' Tretyakov or, say, Savva Morozov."

"The Peterhof firm is already receiving hundreds of offers and requests from various organizations and individuals. Some Soviet state establishments have readily started doing business with us. Others, still not having changed the bureaucratic approach, show a little apprehensiveness."

**TURKISH COLONEL REPORTED FIRED FOR STATING U.S. CONTROLS BASE**

PM071059 Moscow PRAVDA in Russian 5 Jul 87 Second Edition p 5

[Report by own correspondent A. Stepanov: "In the Role of Guard"]

[Text] Ankara--It does not often happen that Turkish journalists are allowed to visit a U.S. base in Turkey. Why should they? After all, the official version is that there are no U.S. bases here at all although there are joint facilities within the NATO defense system which are completely under Turkish control. Nevertheless, representatives of the newspapers MILLIYET and CUMHURIYET were recently given such an opportunity. The largest U.S. Air Force base in the Near East--Incirli--opened its gates to them. What did they see there? A U.S. mini-town with canteens, stores, sports facilities, a swimming pool, a kindergarten, and so forth. And more--mighty concrete hangars housing F-16 aircraft, runways, nuclear weapons dumps, and startling inscriptions in English proclaiming "We are Ready!" Ready for what?--that is another question. A U.S. captain who escorted the journalists explained: "Within 2 minutes of an alarm the hangar doors will open and aircraft will begin taxiing out onto the runway."

The thought immediately occurred to the Turkish correspondents that Incirli is the U.S. base closest to the Persian Gulf. Perhaps "local air support" extends there, too?

The journalists bombarded officials with questions. The base's Turkish commander, an air force colonel, candidly replied that the base has zones which even the president of the republic and the minister of defense cannot enter without the Pentagon's prior permission.

But what about Turkish control and sovereignty? Ultimately, does this base belong to Turkey, NATO, or the United States? was the worried journalists' rhetorical question.

The newspapers here have published a report that the Turkish colonel has been removed from duty. Clearly, he was too candid when he said that the Turkish military are in fact just the guards at the U.S. bases.

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CSO: 1807/389

## ROLE, STATUS OF ITALIAN COMMUNIST PARTY

Moscow VOPROSY ISTORII KPSS in Russian No 4, Apr 87 pp 75-89

[Article by V. N. Dakhin, candidate of historical sciences: "The Italian Communist Party in the Struggle for Peace, Democracy and Social Progress."]

[Text] Communist and workers' parties, despite certain difficulties and unsolved problems at the current level, are continuing their forward development. Communists are emerging "as the most influential contemporary ideological and political force."<sup>1</sup> It is understandable that in different parts of the world communist parties develop differently depending on the specific conditions in their countries. This is related to the very essence of our epoch, which is characterized by a previously unheard-of pace of social progress, diversity and dynamism in the manifestation of contradictory tendencies and social conflicts on a world scale. The conditions under which communists operate are changing rapidly. Considerable changes are taking place in the social structure of bourgeois society, including in the make-up of the working class. The scientific-technical revolution is having a variable effect on the material situation and consciousness of workers. The struggle between the forces of progress and reaction is increasing.

Operating within a particularly complicated conflict situation are the communist parties of the non-socialist part of the world, which are, as noted at the 27th CPSU Congress, "the main object of political pressure and persecution on the part of reactionary bourgeois circles. All fraternal parties are under the constant fire of anticommunist propaganda, in which there is no aversion to the use of the most shameful methods and means...Not one step is given up to communists without a struggle."<sup>2</sup>

The pressure of imperialism, the aggressive actions of which have become more embittered and insidious in recent years in developed capitalist countries, creates additional difficulties for communist parties. Nevertheless, in a number of countries communists have maintained and have even strengthened their political influence. Among these is the Italian Communist Party (PCI), one of the largest in the non-socialist part of the world.

In Soviet historiography up until recently inadequate attention was given to the study of the experience of the PCI. Works devoted to the problems of the communist movement discussed the work of Italian communists in general terms,

and specialized works rarely ever appeared.<sup>3</sup> In this article the author has attempts to fulfill this task and to analyze the activities of the PCI in its struggle for peace, democracy and social progress during the last decade.

The contemporary epoch is characterized by considerable and significant changes in the peace process. The new level of development of real socialism and its peaceful offensive along all lines is genuinely innovative in nature. Juxtaposed to it is the capitalist world, the right-wing and more conservative circles of which have not renounced the ideology and policy of hegemonism, have not given up the hope of social revenge and attempt to translate the competition between the two systems into the language of military confrontation. All of this requires that communists have the ability to carry out a thorough and objective analysis of contemporary reality and to indicate the most effective methods and forms for struggling against the aggressive policies of imperialism.

The Italian Communist Party strives to always take into account real processes occurring in the country and world in its strategy and tactics. It proceeds from the fact that on the verge of the 1980's class conflicts take place on a background of an acute internal physical struggle, of changes in the international situation and of the restructuring of capitalism itself, giving rise to sharp fluctuations in economics and politics. In relation to this, social conflicts arise within the working class and among individual detachments of workers and competition in the labor market increases.<sup>4</sup> Mass ideologic offensives by administrative circles and the ideas of individualism and corporativism, which disorient some groups of workers, have a considerable effect on the class struggle. All of this complicates and even results in a certain abatement in the class struggle.

It was noted at a conference-discussion in Prague organized by the journal PROBLEMY MIRA I SOTSIALIZMA that in this way the communist movement has collided with new realities, problems and tasks, which require a thorough analysis of the phenomena that reflect the laws and tendencies of a qualitatively new stage of development of the party under the conditions of a changing international situation.<sup>5</sup>

The PCI develops its policies with a consideration of the new situation in the world arena resulting from the increased peace initiatives of the Soviet Union in recent years. It understands clearly that the process of democratic development in Italy depends largely on the coordination of forces in the world and on the possible rejection of confrontation and threats of war in favor of political dialogue and cooperation on the principle of peaceful coexistence. On this basis, the PCI has had to make certain corrections in the political course of the foreign as well as domestic policies developed by the previous leadership. This is understandable--the legacy of the past in the form of instructive experience of struggle and errors must be taken into account; the characteristic features of this experience, the possibilities, conflicts and limitations must be understood and interpreted and the conclusions that are drawn must be utilized in practical terms.

In the history of the PCI, as in any political movement, we can single out key moments for the formulation of new strategic tasks. It is sufficient to



remember the passage of the program, "The Italian Path Toward Socialism" (8th party congress, 1956) and the concepts of "Historical Compromise" (14th congress--1976). We can consider the 15th Congress of the PCI (1979) as the beginning of the development of a new political course, where the practice of implementing the policies of "historical compromise" were subject to acute criticism. This was not a negative phenomenon--the strategic course of any party requires corrections in accordance with changing circumstances and the necessity to find adequate methods for implementing them.

At the 16th party congress (1983) there was confirmation once again of the rejection of the exhausted strategy of previous years and of taking a course toward struggle for a "democratic alternative," or the taking of power of a coalition of leftist forces. It was expressed in the solution promoted by the PCI concerning the creation of an alternative government without the participation of the DC [Christian Democrat Party].<sup>6</sup> Certain changes have also occurred in the foreign policy directives of the PCI. More and more emphasis is being placed on the struggle for peace and disarmament.

However, the solution involving the creation of a so-called "alternative government" (with communists, socialists and leftist catholics as its base) in counterbalance to the the existing government did not "work out" by the admission of the communists themselves. Moreover, there was a much smaller response to it than to other political initiatives by the party. The socialist party (PSI [Italian Socialist Party]) was to become an ally. But at this moment disagreements with it became more acute and were characterized by direct confrontation. The PSI and its leadership then took a course toward strengthening the government coalition, especially since the leader of the party had been promised the position of premier.

During the period 1983-1986 there were three general national elections in Italy. There was one referendum. Socialist Pertini was replaced by DC chairman Cossiga in the post of president of the republic. For the first time in the post-war period the government was headed by socialist B. Craxi (August 1983), who had achieved a type of longevity record in the post of premier. In July 1984 General Secretary E. Berlinguer, who was without doubt the greatest leader of the country, died.

For the communist party--the leading force and recognized vanguard of the Italian proletariat--the first half of the 1980's was a period of perceptible losses and of difficult quests for new ideas and decisions which answered to changing circumstances. Whereas until the mid-1970's the influence of the PCI grew steadfastly, after this period it began to slowly decrease.<sup>7</sup>

Serious internal and external difficulties for the communist party coincided in time with increased errors in leading the country on the part of the DC administration. This was manifested not only in the long drawn-out economic crisis but also in the rapid loss of influence of this party and a factional struggle within it. Under these conditions the leadership resorted to a tested strategic maneuver, allowing the socialist party to come to power while maintaining representatives of the DC in key positions. In this way, formal responsibility for the activities of the government was placed on the socialists, while the Christian Democrats had the opportunity to bring order

to its ranks and, as further events showed, not only to stop the loss of party prestige but to actually reestablish their positions to a considerable degree. Thus, the DC regained the presidency quite easily, and after the 1980 crisis it began to attempt to retrieve the position of premier.

The creation of the five-party government coalition headed by PSI leader B. Craxi was the first sign of the fact that the political solution of the "democratic alternative" proposed by communists did not yet have the necessary support of the masses. In addition, the traditionally leftist workers' party made a non-conservative turn in its social policy. In particular, an offensive was begun in support of a "sliding wage scale" (a mechanism for automatically increasing wages depending on growth in prices)--a victory which even conservative governments could not have attempted. And after the sale of the state company, Alfa Romeo, to the Fiat concern there was an impression that Craxi's government was ready for denationalization.

The second sign was the beginning of the process of disintegration of the leftist coalition involved in local government. Although during the 1985 administrative elections the PCI lost almost no votes, the relative majority in the largest cities which had been its stronghold--Rome, Naples, Turin and Florence--was lost. This process cannot be explained only by the position of the PSI, which supported the principle of the five-party coalition on a local level as well. The main reason evidently lies in the disappointment of large strata of the population in the activities of "red juntas" and in a certain loss of class character in the class coalition. In general within this sphere the communist party has gathered interesting and undoubtedly positive experience in practical activities which still requires analysis.<sup>8</sup>

The activities of communists in bourgeois government political institutions have certain limitations resulting from the very nature of these institutions. The Italian Communist Party understands this well, and for this reason an important part of its program consists of demands for institutional reforms, i.e. reforms in the structure and nature of state machinery. Communists have achieved significant successes in local government not only because of their specific socio-economic activities but also because of their participation in developing this local government. It is no accident that growth in the influence of communists is taking place during a period of restructuring of local self-government and during a great expansion of its scope. Nevertheless, during the first half of the 1980's the absorption of this by the administration-bureaucracy became a reality. It can be said that "red juntas" began to grow into and enter the system of the state bureaucratic structure, thereby losing their independence. Under these conditions the class nature of leftist municipalities began to disappear, objective difficulties limited their effectiveness and forced us to focus on specific questions of practice to the detriment of policy. In the consciousness of the population we were not able to establish the concept that "flourishing municipalities" were "red municipalities." In the eyes of a portion of the population the PCI began to look like one of the parties of the traditional political system. This situation is to a certain degree correct in evaluating the activities of communists in local government as well as in evaluating the role of the PCI in national life, where the cost of implementing the concept of "historical compromise" had an effect.<sup>9</sup> The party was warned of this

danger by communists themselves during the period of the great expansion of the party's influence during the mid-1970's.

And here is another no less important question. The strategy of the "democratic alternative" required a high level of class mobilization of the proletariat. But during this time in the consciousness and behavior of workers there was already a change toward decreased support of PCI policies, which was confirmed by the referendum of 1985.

The real test of the party's policies was the struggle against the limitations of the "sliding scale." By introducing a "personal" problem on the national level, the party tried to bring the question of the direction of national development and the entire domestic policy course of the administration up for national discussion. A. Natta, the General Secretary of the PCI, emphasized that "the stakes in the game are not limited to the sliding scale. At the basis lies the economic policy...It is essential to eliminate misappropriation and parasitism in public expenditures, to direct efforts at serious programs and to strengthen scientific-technical research...It is these problems that lie at the basis of the referendum."<sup>10</sup> However, the results of the referendum were affected by changes in economic conditions, by processes involving the reorganization of production structures and by changes in the mood of workers. The government and industrialists persistently developed the idea that a greater employment rate within the population and an improvement in the economy are impossible without reform in the structure of workers' wages, but they interpreted this reform in their own unique way. The government was successful in approving the decree plan by an insignificant majority.

The referendum showed that workers judge government policy in a general way. Nevertheless, the referendum's results confirmed the indisputable fact that the workers' movement still occupies a defensive position. Before the communist party arose the urgent problem of seeking new solutions and of revitalizing the program dealing with the struggle for Italy's radical transformation.

Today, as previously, the main support and fundamental social base that the PCI depends on is the working class. Despite the fact that it has decreased in numbers, despite the conflicting effect of the crisis and the threat of being left behind the gates of industries, workers will always be the main strength of the communist party. But communists consider people who are "superfluous," who have been thrown out of production as a result of capitalist efficiency measures as well as groups of scientific-technical intelligentsia which are integrated into the system of developing scientific-technical progress and the middle levels of the population, especially young people who fill the ranks of the unemployed in considerable numbers, an integral part of their social base. Communists are called upon to develop and direct their potential social dissatisfaction into the proper channels.

The uniqueness of the social-political situation within the country and party has resulted in a very lively discussion within the PCI encompassing all aspects of party activities in 1985-1986. In the course of this discussion there was an examination, firstly, of the questions of establishing trust in the party on the part of workers, i.e. the class aspect of the party, because



experience has shown that some workers associated the PCI more with other parties--the negative experience of being in the "new parliamentary majority" continued to have an effect.<sup>11</sup> Secondly, the problems of strengthening the party's international authority as an important component of Europe's leftist democratic forces were examined. Thirdly, it was necessary to bring order to intra-party matters. Fourthly, it had to be proven that the PCI is ready to fulfill the role of leadership or at least of participation in the leadership of the country and that the development of Italy is impossible without the communist party. In general, as emphasized by the discussion participants, the questions that were discussed were: Does the party represent the interests of broad strata of the population which it claims to represent? In other words, how realistic is the alternative policy proposed by the PCI to the current government and how constructive is the PCI's strategy?

The discussion on the continued policies of the PCI clarified a great deal in its intra-party life. Never before had the party apparatus participated so actively in discussions. In summarizing the opinions of the secretaries of the 20 regional PCI committees, we can note that almost no one spoke against the strategy of the "democratic alternative." Thus, the party's strategic course was not in doubt. There was a discussion only about correcting practical policy. Deemed valuable was the unanimous opinion on the necessity to stimulate the activity of the party elite and to increase its participation in the development of party policy.<sup>12</sup>

Under these conditions in July 1985 the PCI leadership made a decision to call a congress and brought this question up for discussion at the plenum of the central committee and the Central Control Committee [Central Control Committee] of the PCI. The plenum ascertained that serious contradictions have arisen between the party line and the political proposal of a "democratic alternative," and that in the near and distant future it would not be possible to make this alternative into a concrete foundation on which party policy could be implemented. "The absence of an alternative in the near future has resulted in the fact that a portion of the electorate fears a situation in which political instability may develop." This real factor was manifested in the elections.<sup>13</sup>

The party's "democratic alternative" was neither sufficiently explained nor adequately understood. In particular, communists tied these failures to the fact that when they were clarifying this concept their emphasis was incorrect--the alternative was presented as something that could be implemented, whereas actually it was aimed more at the future than the present.<sup>14</sup> This is why the discussion involved developing a long-term political line directed at thorough transformations which could be implemented only via intermediate stages after deemphasizing the current situation in the party's political policy.<sup>15</sup>

Thus, the leftist alternative proposed by the PCI was viewed by a significant portion of the public as unrealistic under contemporary conditions. Moreover, it could only infringe upon political stability, thereby paralyzing the operation of the government. The fact is that in the opinion of the PCI, the administration attempted to provide an answer to the "crisis of capitalist development, the necessity of technological renewal and the achievement of a



competitive economy" with the aid of neo-conservative social policies. Nevertheless, even these government methods created the appearance of activity, and the response of the communist party did not look like an alternative. Whereas in general the party's course was correct, "attention was not given to serious changes in the lives of the masses and in the collective consciousness, and this resulted in the loss of vigilance, an underestimation of changes arising from socio-economic processes and an underestimation of ideological changes and even blindness with regard to individual political factors."<sup>16</sup> Thus, at the head of every pre-congress discussion the main question that was formulated was: Why do "certain social and political forces, including those with a democratic and progressive orientation, reject this alternative?"<sup>17</sup>

In the course of the discussion the PCI formulated the basic problem standing before it--in order to understand the objective needs of the working masses communists must focus their attention on actual realities while confirming the majority of the special features in the communist-proposed alternative that still retain their value. This ascertainment served as a reference point for the development of a political strategy and party tactics for the coming period. At the July 1985 Plenum of the PCI Central Committee the following features of the "democratic alternative" were clearly singled out: its long-term nature; the expansion of the framework of the union of leftist forces; and the thoroughly innovative ideas of the program.

Among the new phenomena the communist party has singled out the change in relations between the USSR and U.S.A. toward political dialogue, although the fragility of this process was emphasized. The PCI saw as its main task the support of talks begun in 1985 by means of resistance to the arms race, especially in space.<sup>18</sup> A mass democratic movement, "which expresses the concern and a certain frame of mind and which also develops in the ranks of political blocks and governments far removed from this movement,"<sup>19</sup> is an important party ally. In this way the communist party has come to the conclusion that it is on the basis of the struggle against the arms race in all of its forms that the forces of communists and mass democratic movements--pacifist, youth, womens'; ecological and religious (if it supports peace)--can be united. Moreover, it is precisely the reality of a common danger that can facilitate a change in the position of those forces which do not belong to the democratic camp. In this case communists speak about the awakening of new political conceptualization.

In the course of discussions the party confirmed the main task of its foreign policy--to strengthen the West European community as an important factor in the struggle for peace. Italy's membership in NATO and in the Atlantic Union is a reality for the PCI. Nevertheless, according to the opinion of communists, participation in the union does not signify "a logical sequence of thought dictated by being a member of this camp."<sup>20</sup> Within the framework of NATO, for example, it is essential for Italy itself to fight for a course and to promote a change in the policy of the block as a whole. The Eureka project,<sup>21</sup> it was emphasized in the course of the discussion, can be evaluated positively as civilian and European, but if it becomes a part of SDI, it will become a factor in the exacerbation of the international situation. After all, the augmentation of the achievement of the SDI program in the U.S.A., the

attempt to include Italy in it, the rejection of the curtailment of nuclear testing, the implementation of the strategy of "neoglobalism" and the concept of "low intensity conflicts" constantly threaten the "thawing" process. From this point of view the ideas of the further unification of Western Europe are viable if they are developed on the basis of the struggle for disarmament, for easing of tensions, and for acceptance of the principle of peaceful coexistence as the foundation for international relations. It is precisely with this goal that communists are ready to take upon themselves the initiative of rallying all forces and of establishing "free and dialectic relations with the branching network of various organizations and associations representing the most varied circles of society."<sup>23</sup> The party calls for the creation of a European political democratic alternative. Consequently, already in mid-1985 policies began to be clearly followed and were later secured by the 17th Congress, with an emphasis on changing the political conditions of the current direction of socio-economic development of Italy and Western Europe.<sup>23</sup>

In order to more fully evaluate the results of the discussion, the plenums of the Central Committee and the Central Control Committee have assigned the development of the draft of theses not to the party leadership, but to a special committee (Committee- 77), which prepared the draft and norms for carrying out the congress for the December 1985 Plenum of the PSI Central Committee. The strategy of the "democratic alternative" and the tactics of "programmed government", i.e. a political coalition with the participation of the PCI on the basis of a government program, were laid down in general terms as their foundation.

Committee-77 focused special attention on questions of inter-party life. The fact is that the number of party members has gradually decreased. A. Natta has pointed to three reasons for this phenomenon--a poor influx of young people, i.e. the aging of the party; inadequately close relations with new, growing strata of society, and the intelligentsia in particular, the influence of which is increasing quantitatively and qualitatively on industry and on the service sphere as well as on hired and independent workers; and the continuation of disproportions in "the geography of the party." "The new party has not become genuinely national--after all it has really taken hold only in part of the country. At the present time disproportions between individual regions even have a tendency to increase."<sup>24</sup>

Committee-77 has noted that within the party's central apparatus a tendency toward passivity and inflexibility is evident. For this reason, there is an urgent problem to strengthen the efficiency of its leadership links and ties with lower-standing organizations. "The party must be ready," emphasized G. Andzhus, Secretariat member, "to carry out changes which give rise to the necessity to revitalize the organizational structure in order to make it capable of a more flexible approach to the relations between the party and society."<sup>25</sup> Committee-77 has also touched on questions relating to developing intra-party democracy, to the participation of party members in the development of policies, to the rights of leadership organs and finally, to specific organizational problems on the level of the section, federation, and obkom, and to questions of financing, sources of information and so forth.<sup>26</sup> In the work of the committee the problem of preserving the principle of

democratic centralism arose. Certain circles within the party and especially outside it would like to attach a major significance to this. However, in reality the topic under discussion dealt with strengthening the resolution of the 17th Congress concerning the right of any party member to dissociate himself from the opinion of the majority. After all, here is what happened at the 17th congress--the right to an independent opinion was confirmed, but the inadmissibility of the organizational development of factions and tendencies was made clear.<sup>27</sup>

Over 350,000 people participated in the pre-congress discussion at 127 conferences of local party federations, including 12 conferences of foreign federations, following the December 1985 Plenum of the Central Committee and the PCI Central Control Committee, at which the Theses and Program Proposal were confirmed. Over 1,090 delegates representing 1,595,739 PCI members were elected to the congress.

An evaluation of the strategy and tactics of the PCI in the near and distant future was conclusively carried out at the 17th party congress, which took place in April 1986. An analysis of the materials and documents of the congress allow us to single out those key moments which today determine party policy.

Italian communists feel that the question of peace is the decisive factor in the progress of peoples. The PCI supports balanced and controlled disarmament on an international scale, the first step toward which is the rejection of militarization of space. Of special significance is the PCI's call to all democratic forces to actively participate in the creation of a "new order for international relations." Moreover, states the party, it is necessary already now to act within the framework of the corresponding alliances with the goal of securing a base for disarmament, to eliminate the division of the world into enemy groups. All governments and peoples must contribute to this. The PCI supports the practical implementation of the concept of mutual and global security in which political factors prevail over military.

The PCI attaches special significance to the development of Western Europe because a decisive change in international relations is possible only with the active role of this region's countries. Especially since now as never before there is a striving and there are opportunities for independent development. However, Western Europe can play its active role only when all European leftist forces, of which the PCI is an integral part, are allied.

It is essential to emphasize that progressive (leftist) forces, in the understanding of the PCI, do not just include the parties of the working class. They include a new movement of pacifists and ecologists, women and youth, and organizations of a religious nature. The Italian Communist Party is an integral part of these forces. Its selection of socialism as a strategic goal based on the complete development of democracy and freedom is irreversible. It is on leftist forces that the main burden is placed in eliminating the socio-economic crisis and the crisis of government organization within the specific national conditions of its country as well as within Europe in general. The PCI has as its goal the drawing together of two



traditional currents in the European workers' movement--socialist and communist--as the nucleus of a new, extensive social association.

As for the international policy of the CPSU, A. Natta noted the importance of peace initiatives made by the CPSU in the area of easing tensions, which he feels are "positive factors." Of special significance is the statement of M. S. Gorbachev at the 27th CPSU Congress "on the nature of the process presently occurring in the world, and on the impossibility of dealing with numerous potentially-explosive conflicts if countries and governments with different social structures do not act decisively and in a united manner, beginning with curtailing the arms race, for which enormous financial resources are spent. This," said A. Natta, "is also the position of Italian communists."<sup>28</sup>

Considering the changes in the social and class composition of society, communists strive to create a union on the basis of bringing together the working class, technical specialists and other workers involved in intellectual labor, middle strata and new movements which have arisen out of contemporary life. The party sees specific program goals in this union. They are most clearly delineated within the sphere of foreign policy, there where mutual understanding is possible most rapidly of all: first of all a policy of balanced and controlled disarmament, and secondly the creation of a "unified and democratic Europe" within the framework of the EEC (and as a short-term goal--the development of a joint policy in the currency-financial, economic, industrial and scientific spheres). In domestic policy the communist party proposes the development of a more just, more democratic Italy, a genuine "revitalization of the system" on the same basis of a peace-loving policy and international cooperation."<sup>29</sup>

The strategic goal of the PCI remains unchanged--the building of communism. Italian communists feel that under the conditions of contemporary Italy this process involves a complex mutual intertwining of economic reforms, in the course of which one method of production and lifestyle prevails over others. The struggle for socialism is closely related to the development of democracy and freedoms; it pursues the goal of securing and expanding all individual and collective rights and at the same time facilitates the more extensive participation of workers in solving political, economic and social questions. Thus, the communist party is not building an abstract scheme for a future society. It is making its main thrust in the direction of securing the political conditions that move toward socialism.

These political conditions will be created by a persistent struggle at intermediate stages. In the opinion of the PCI, the crisis of the five-party coalition gave rise to favorable opportunities for a new level of political initiative and struggle to create the "democratic alternative."<sup>30</sup> The political initiative is viewed by the party as a specific continuation of the struggle to develop a "programmed government" outside the principles and logistics of the five-party coalition. Italian communists feel that this could lay the foundation for developing a broad front of civilian and Catholic forces. This kind of government can be developed on the basis of the reform of the government organization. The PCI considers this point to be especially important and a step toward change in political conditions, a step whose time has come, a necessity and therefore a possibility. There is already agreement



about this in the points of view of the PCI and other leftist forces. "The line and the program," noted A. Natta, "proposed at the current congress are a call and proposal for unity. We are proposing an ideological pact although we are waging an active and intensive struggle of ideas and want to /keep the historic prospects of restructuring in force/ (emphasis ours--author). The "democratic alternative" requires the development of a program of mass struggle and first and foremost unity among supporters of reform, which will become the decisive factor only if leftist forces which oppose each other and supporters of reform and progress belonging to the current government block become unified.<sup>32</sup> Italian communists have especially singled out the necessity and possibility of intermediate stages in developing a new alliance and an alternative program.

In our opinion, this situation was most clearly evident in the development of a party strategy in the socio-economic sphere. The correction of this policy was based, on the one hand, on an assessment of the extent and scale of the current stage of the scientific-technical revolution (NTR), and on the other it was an attempt by the communist party to restore traditional directions for analyzing existing reality. As communists themselves have noted correctly, it is impossible to develop a completed government program because this program would be too abstract. The PCI makes proposals which can serve as the orienting force when comparing the points of view of all democratic forces interested in transforming society.

According to the opinion of Italian communists, at the present time the NTR is developing in the interest of the conservative forces of Italy and of all of Western Europe. "The response to this reality should be sought only in the restoration of a policy that would achieve the right of the ballot, the structures, and the support, within the framework of the state structure, of those phenomena and those multi-faceted social movements and organizations which arose in society in contrast to the interests and aims of conservative forces."<sup>33</sup> It is for this reason that the strategy of the "democratic alternative," presented by the 17th PCI Congress, gave a special place to the problems of transforming political institutes and to the implementation of a socio-economic policy that is fair to workers.<sup>34</sup> Within the framework of Italy, the main resolutions of this strategic course must become the basis for creating a democratic coalition, the nucleus of which will be a leftist alliance. These proposals include, first and foremost, a program for reforming the constitutional principles of the republic.<sup>35</sup> The program's aim is to increase the role of parliament and other electoral assemblies and to strengthen executive power.<sup>PT36</sup>

This strategy is proposed in principle as the basis for the "alliance of leftists" in Europe--after all, only this union can implement a "coordinated improvement," i.e. change political conditions and consequently, the socio-economic direction and essence of the current stage of NTR.

Communists have confirmed that the transformation of society must move in the direction which will guarantee the country's workers freedom of action, which is essential for effective control over current socio-economic problems,<sup>37</sup> the severity of which is such, the congress ascertained, that we must begin to

work on solutions immediately. The policy of intermediate goals is directed at this. Thus, the congress has indicated only general directions, whereas

the November 1986 Plenum of the PCI Central Committee made the party's socio-economic program more specific.

Italian communists feel that the prerequisite for the new development of the country include a weakening of dependence on foreign countries and a decrease in the government debt. Moreover, in the opinion of the PCI, the achievement of this goal must be implemented comprehensively within the framework of transforming production structures and reforms of the "socialist state"--this is how communists characterize bourgeois society in Italy. This is why the party's program document obtained the name "comprehensive program policy." This does not signify the negation of market functions, the suppression of the autonomy of enterprises or the strengthening of government interference in the economy. This kind of programming means the presentation of realistic proposals and the coordination of measures to achieve them--carrying out a policy directed at establishing control over inflation and the redistribution of wealth in the interest of those individuals who have average and low incomes; support of the principles of social security, solidarity, equality of citizens in civil rights and so on. However, communists are not at all promoting a state that gives everything to everyone or a social system that would exist fully on public resources. In their opinion the role of the state will consist of controlling the system of minimal mandatory services and not of monopolizing social and medical security. However, one does not have to submit to the impression that communists are trying to change the social program. That is not true. The resolutions of the 17th congress of the PCI respond fully to the policy of decentralization of government authority with the goal of democratization and increasing effectiveness. Moreover, there is a clear manifestation of the striving to eliminate "social parasitism" and political manipulation, which had developed during the period of leadership of the DC.

The PCI suggests that the unemployment problem be solved within the framework of an economic policy that is implemented on the basis of a close tie between the development of production forces, the transformation of the social and cultural sphere and an active policy in the area of labor. It should be noted that the legal-judicial base of this type of policy has already been created--a number of laws were passed during the period when the PCI was in the "new parliamentary majority" (laws on reconversion, on the mobilization of the work force, on structural change and so forth).<sup>38</sup> The communist party has singled out several conditions for implementing the employment policy--its coordination on a European level by means of the development of joint programs to increase training and support demand for skilled labor; a general reform of work time--its curtailment and flexibility; a reform of the labor market, which includes a new policy for preparing and creating a national labor service; and the reform of the wage structure and development of democracy in production.

And finally, the goal of "programmed government" is the reform of the state and democratic institutions. The necessity for reform has become even more urgent as a result of the conservative policies of the administration. The

PCI feels that at the present time the problem of republic institutions is central to the life of the country. This has been dictated by the necessity to act in the name of complete restoration and renewal of the representative nature of democratic and constitutional organs and their ability to make decisions.

In generally assessing the strategic aims of the 17th congress and their subsequent development, it can be noted that communists have confirmed their devotion to the strategy of the "democratic alternative" and to the course toward an alliance with socialists and leftist Catholics.

On a tactical plane the solution of immediately creating an "alternative government" is being replaced by the solution of "programmed government," which has been discussed above. This proposal can generally be assessed as an idea of "technical coalition"--the first in a chain of intermediate steps. The coalition of leftist forces is thus called upon to become the basis for an extensive alliance on the basis of the "alternative program," i.e. it is also an intermediate step, but the basic form of an extensive national coalition. Evidently it is in the interpretation and implementation of this party idea that the greatest difficulties are to be eliminated. For example, right now the tie between intermediate goals ("programmed government" with participation of the PCI) and final goals, the alternative to the current system (i.e., an alternative to DC leadership) is still unclear. Also unclear is the form in which the transition from one phase of political development to another will occur. The party continues to have a careful attitude towards the main participants in the five-party coalition, which provides the opportunity to interpret its policy in different ways. However, this is more of a positive moment than a shortcoming for it does not thrust the categorical nature of party aims on anyone and increases the possibilities for communists to maneuver.

In its international plan, the PCI is changing the emphasis on its activities without totally rejecting previous assessments. The struggle for peace, easing of tensions, disarmament and the elimination of blocks is becoming the foundation for its initiative in Western Europe. Together with a confirmation of the necessity for independent action within the block this also expands the field for maneuvering by the party and expands the framework of cooperation with democratic forces.

Whereas during the 1970's it was possible to speak about the existence of a certain consensus (agreement) among Italy's political parties as regards foreign policy problems, during the second half of the 1980's the situation changed drastically.<sup>39</sup> The administration of the U.S.A., having introduced the concept of "neoglobalism," has totally ignored the interests of its NATO partners, which poses a real danger for the fate of mankind. A situation has developed in which Italy can be drawn into a military escapade against its will. This was manifested with special acuteness in the U. S. action related to the seizure by terrorists of the ship the Achille Lauro and in the action of the American administration against Libya. Under these conditions all political parties found themselves face to face with the problem of the necessity to clearly establish their position, especially with regard to the Soviet peace initiative. The consensus ceased to exist, and differences of



opinion with regard to the problems of foreign policy resulted in crises in B. Craxi's government more than once. Changes in the position of the PSI (criticism of "Reaganism," policy of "new moderate Atlantism") and an attempt to find an independent foreign policy line, resulting from an understanding of the danger of pulling Italy into conflicts, expanded the ways to achieve mutual understanding among parties (and they admitted this openly).<sup>40</sup> Thus, it was in the sphere of solving global problems and of seeking an independent policy for Italy in international politics that real possibilities appeared for cooperation among these parties. Communists made special note of this in the "Program Proposal," i.e. within the complex of measures that could become the foundation for a coalition government.

Thus, the contemporary stage of activity of the Italian Communist Party can be viewed as a continuation of the struggle to implement the "democratic alternative." The policy that is proposed by the communist party has more of a democratic than a socialist base and is directed, as already stated above, at establishing intermediate goals for democratic development. On this plane it can become a platform for unifying all forces that are interested in extensive transformations of public life.<sup>41</sup> In discussing strategic and tactical questions the party is making its basic thrust at the political aspect--instead of an abstract assessment of the problem of coalition and alliances it is giving more attention to those questions which can be utilized to lay the foundation for the unification. Thus, to some degree the party approaches the solution of tasks related to the global "democratic alternative" on the basis of a consideration of new socio-economic and political conditions of development.

The course of history and objective laws of social progress demand more and more constructive, creative and fraternal cooperation among communist parties and a strengthening of their comradely solidarity. This interrelationship is essential first and foremost for the purpose of preserving peace, avoiding nuclear catastrophe and dealing with vitally important social questions that concern mankind. It is this position that our party adheres to, feeling that the presence of discord and disagreement among some parties on individual questions should not interfere with their international solidarity. The CPSU does not dramatize the fact that communist parties are not always in complete agreement on all questions.

"We feel," noted the Political Report of the Central Committee of the 27th CPSU Congress, "that the diversity in our movement is not a synonym for separateness, just as unity has nothing to do with uniformity, with hierarchy, with the interference of some parties in the affairs of others, or with the striving of a particular party to have a monopoly on the truth. The communist movement must be strong in its class solidarity, in the equal cooperation of all fraternal parties in the struggle for common goals. This is how the CPSU understands unity and it intends to promote it in every way possible."<sup>42</sup>

The CPSU adheres to a similar policy with regard to the Italian Communist Party. It strives in every way possible to develop cooperation with Italian communists. Historical experience, like the events of our days, convince us of the fact that communists, even with their different opinions on particular questions, cannot fully implement their role as a weighty political factor of



national and international life without strengthening international solidarity with each other while preserving autonomy and the independence of every party.

According to the assurances of the General Secretary of the PCI, A. Natta, "we (the PCI--authors) followed this principle and put it into practice consistently and energetically in our political course as well as in the international ties of our parties. Our meeting with Comrade Gorbachev became, in my opinion, an important recognition of this fact and of the necessity to adhere to the particular orientation in general."<sup>43</sup>

In the course of the meeting, which took place on 27-28 January 1986, there was an extensive exchange of ideas on important current questions. Moreover, both sides emphasized the necessity of making every effort to reverse the arms race, to prevent the militarization of space, and to achieve specific results on the path toward a balanced and controlled curtailment of nuclear and conventional weapons. Bans on both sides (USSR and U.S.A.--author) on current nuclear tests would be of significance as the first step in this direction. The sides have exchanged information on the policies of the two parties. Here the General Secretary of the PCI, having confirmed general strategic concepts of Italian communists on the problem of the relationship between democracy and socialism, discussed the positions and program goals that will be assessed at the 17th PCI Congress and that are directed at facilitating the forward-movement of the policy of peace, revitalization and reform.<sup>44</sup>

Italian communists have expressed considerable interest in the work of the January 1987 Plenum of the CPSU Central Committee. A. Natta, PCI General Secretary, expressed certainty that revitalization in the USSR will contribute to the development of the process of relaxation of tensions and international cooperation. The most interesting and significant aspect of what is now occurring in the USSR, he said, includes dynamic socio-economic development, discussions on the role of the party, the implementation of political reform, the expansion of democracy and so forth.<sup>45</sup>

Speaking at a national conference on legal problems, A. Natta characterized the dynamism of the current Soviet leadership as an "extremely positive" factor. "The new page turned by M. S. Gorbachev during a time when an interpretation of the historical process is occurring in the USSR concerns those disturbed us. It should be completely clear that we are not initiating a reform process in our country or determining the future of leftist forces based on external reasons. But in the PCI and in its hard line the innovative forces of the Soviet Union and of M. S. Gorbachev personally have found and will continue to find the most determined support."<sup>46</sup>

Thus we can draw the conclusion that at present the positions of the PCI and CPSU on contemporary global problems have drawn significantly closer, which can be explained by the identical views of both on a number of important questions dealing with the struggle for peace and against the danger of nuclear war. The correspondence of points of view and the fraternal nature of interrelations between parties does not exclude the discussion on urgent problems of international life, strategy and tactics in the movement toward socialism and the building of a new society. These joint explorations lead to an enrichment of revolutionary theory and current practice. After all, as V.

I. Lenin emphasized, theory "cannot be invented, it develops out of the sum total of revolutionary experience and revolutionary thought in all the countries of the world."<sup>47</sup> Lenin's words continue to be meaningful today. They will remain true in the future.

#### Footnotes

1. Program of the Communist Party of the Soviet Union. New edition. Adopted by the 27th CPSU Congress. Moscow, 1986, p 17.
2. Materials of the 27th Congress of the Communist Party of the Soviet Union. Moscow, 1986, p 73.
3. See: The International Communist Movement: Truth Versus Fiction. Moscow, 1981; The International Communist Movement, Moscow, 1983; Zagladin, V. V. "Za prava trudyashchikhsya, za mir i bezopasnost narodov. Kommunisticheskiy avangard rabochevo dvizheniya v nachale 80-kh godov [For the Rights of Workers, for Peace and Security of Peoples. The Communist Vanguard of the Workers' Movement in the Early 1980's], Moscow, 1982; Zagladin, V. V. "The CPSU and the Communist Movement," VOPROSY ISTOPII KPSS, 1986, No 2; Naumov, V. K. "Kommunisty Italii" [Italian Communists], 2nd edition, Revised and supplemented, Moscow, 1977; Bogorad, V. A. and Matveyev, R. F. "Rabota kommunistov kapitalisticheskikh stran v massakh [The Work of Communists of Capitalist Countries in Masses], Moscow, 1970; Smirnov, G. "The Italian Communist Party: New Stage--New Tasks. ARGUMENTY I FAKTY, 1986, No 10.
4. Already during the 15th congress (1979) Italian communists focused their attention on the political significance of these changes (see Boffi, A. "Confirmation of the Strategic Line," PROBLEMY MIRA I SOTSIALIZMA, 1979, No 11).
5. See: PROBLEMY MIRA I SOTSIALIZMA, 1986, No 10, p 38.
6. See: Berlinguer, E. La crisi italiana. Roma, 1985, pp 154-158. The concept of this course was first presented by E. Berlinguer, General Secretary of the PCI, in June 1981 in connection with local elections.
7. See: L'Unita, 14 May 85. The proportion of votes received by the PCI during regional elections decreased from 31.5 percent in 1980 to 30.2 percent in 1985. Only in the elections to the Europarlament in 1984 did the party receive 34.5 percent of the vote--more than any other party. Here the active position of the PCI on the problems of further EEC development played a role.
8. For example, from the point of view of the limits on activities by leftist parties in local political organizations in a bourgeois state. Of no less interest is the experience of the practice of alliances and coalitions, the development of the form of direct participation in administration by the population ("neighborhood councils, open work by municipalities and so forth), and specific socio-economic activities.

9. See: Cervetti G. "Partito di governo e di lotta". Roma, 1977; Chiaromonte, G. "Accordo programmatico e l'azione dei comunisti." Roma, 1977.
10. L'Unita, 4 Apr 85.
11. The given problem is important not only for the PCI. Later the French Communist Party was faced with the same problem. Thus, M. Gremets, member of the Politburo of the PCF [French Communist Party] Central Committee, emphasized that "a significant number of workers have developed the opinion that the differences between the socialist and communist parties have been erased in terms of the content of democratic changes as well of the very approach by both parties to the alliance of leftist forces." *KOMMUNIST*, 1985, No 17, p 117.
12. The bourgeois press tried to give out this opinion of the directors of regional committees for the attack on the "bureaucratic structure" of the party leadership (see *Stampa*, 17 Jul 85; *L'Espresso*, 1986, No 12; *Panorama*, 1986, No 1040).
13. See: L'Unita, 23 Jul 85; *Information Bulletin*, 1985, No 16, p 49.
14. See: L'Unita, 23 Jul 85.
15. The topic under discussion at the plenum was first and foremost the prompt assessment of the course of the PSI and DC, the introduction of clarity into the policy of alliances, and the development of clear international policies.--L'Unita, 23 Jul 85.
16. L'Unita, 23 Jul 85. It should be noted that the PCI was one of the first to focus its attention on restructuring the organization of production and to therefore alter its administrative strategy in connection with this.
17. *Information Bulletin*, 1985, No 16, p 50.
18. See: L'Unita, 23 Jul 85; 10 Apr 86.
19. L'Unita, 23 Jul 85.
20. L'Unita, 10 Apr 86.
21. The Eureka project is a program that was developed by the administrations of the countries of Western Europe to counterbalance the American "Strategic Defense Initiative" (SDI) with the purpose of unifying European enterprises and scientific-research centers in order to develop more up to date scientific and high-tech items. However, recently attempts have been made to adapt the Eureka project to SDI in order to include the countries participating in the Eureka project in both programs. It should be noted that the developers of the Eureka project would like to see features of the "European Military-Space Program" in it.

22. L'Unita, 23 Jul 85; Rinascita, 1986, 29 marzo.
23. These changes were caught by the bourgeois press as well, which emphasized that the PCI was once again opening up "intermediate stages" before the main task of the alternative (see, for example, Il Giorno, 25 Jul 85).
24. Rinascita, 1985, 23 novembre. For details about the situation within the party see Roni, J.Pci, *etat des lieux--Politique aujourd'hui*, 1986, Mars-avril, pp 87-88.
25. Messaggero, 3 Dec 85.
26. L'Unita, 21 Dec 85.
27. L'Unita, 10 Apr 86.
28. L'Unita, 10 Apr 86.
29. The specific program of socio-economic proposals on the basis of congressional decisions was developed at the November 1986 Plenum of the PCI Central Committee and Central Control Committee.
30. The second government crisis of 1986 did conclude with the reestablishment of the coalition but it was accompanied by an agreement that the post of premier would again go to the DC.
31. L'Unita, 10 Apr 86.
32. See: L'Unita, 10 Apr 86.
33. L'Unita, 19 Dec 85. A similar assessment was made earlier (see L'Unita, 23 Jul 85).
34. This problem has long been at the center of the party's attention (see, for example: Galgano, F. *Le istituzioni dell'economia di transizione*. Roma, 1976).
35. See: L'Unita, 10 Apr 86.
36. The subject of the discussion is the development of a one-house parliament and the reform of judicial organs, information organs and so forth.
37. See: L'Unita, 19 Dec 85.
38. In this we find the uniqueness of Italian reality--democratic forces are often able to force the administration to support progressive laws but leftists are not yet in a position to achieve their implementation.
39. This consensus manifested itself in the absence of differences of opinion on the problems relating to the assessment of the international situation rather than because party positions coincided.



40. See: L'Unita, 13 Apr 86.
41. See: MEZHDUNARODNAYA POLITIKA (Belgrade), 1985, No 854, pp 20-21.
42. Materials of the 27th Congress of the Communist Party of the Soviet Union, pp 73-74.
43. POLITIKA, Belgrade, 12 Feb 86.
44. PRAVDA, 29 Jan 86.
45. See: PRAVDA, 30 Jan 87.
46. PRAVDA, 4 Feb 87.
47. Lenin, V. I. "Poln. sobr. soch." [Complete Collected Works], Vol 27, p 11.

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CSO: 1807/352

WESTERN MEDIA COVERAGE OF POPE'S VISIT CRITICIZED

LD171638 Moscow World Service in English 1310 GMT 17 Jun 87

[Text] We continue with a dispatch from a Radio Moscow correspondent in Warsaw.

The pope's visit to Poland was certainly an important event here. The historical and religious traditions of the Polish people played their role, as well as the fact that the pope is a Pole by nationality.

The visit was widely covered in the media. There has been constructive cooperation in Poland lately between the state and the Roman Catholic Church. The cooperation is based on the platform of national interests, above all, which has been confirmed on the whole by the pope's visit.

But what about the Western news media? Making use of the visit, they decided to renew and give a fresh coat of paint to the rather pale image of Poland they created themselves as a land of conflicts, of confrontation between government and the people. As one Polish commentator noted in a clever way, the Western reporters brought in their luggage not only notebooks, tape recorders, cameras and typewriters, but also a special optical psychic instrument, with the help of which it might be possible to recarve the events along a scenario prepared in advance. It is difficult to explain otherwise the fact that many of the newsmen saw and heard only one thing: There were allegedly calls for a struggle and police cordons to block people access to meetings with the pope.

They were also overjoyed groups of provocateurs tried to stage antisocialist demonstrations in Krakow and Gdansk to disrupt the course of the visit and in this way to complicate relations between the state and the church. The agitation among the Western newsmen was so great that they even had hallucinations of truncheons and gases being used. Another thing is also significant. During the days when the pope visited a former Nazi concentration camp, Majdenek, where Nazis put to death hundreds of thousands of people, went to Szczecin--which was returned to Poland after the Second World War--and spoke at meetings with the faithful about a need to struggle for universal peace, President Reagan made a bellicose speech in West Berlin to encourage the revenge-seekers in the Federal Republic of Germany.

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CSO: 1812/253

CSSR-USSR 'ROBOT' ASSOCIATION EXPERIENCING PROBLEMS

Moscow IZVESTIYA in Russian 15 May 87 p 5

[Article by IZVESTIYA correspondent L. Kornilov: "A Slow Beginning"]

[Text] "Robot" has been in operation for two years. Why has it still not been debugged, and why do people lack confidence in its work?

Until recently Vladimir Mikhaylovich Voyevodin occupied the position of Deputy Minister. He has considerable experience and knowledge in the field of machine tool manufacturing. He worked as both a chief engineer and a factory director. In short, he is a master in both organizational and management questions.

At the end of last year, Voyevodin came to work in Slovakia in the city of Presov as first deputy general director of one of the first international scientific production associations (MNPO) in the socialist community -- Robot MNPO.

It was no accident that Presov, which is located 100 km from the Soviet-Czechoslovakian border, was chosen. Back in the early 1970s a harmonious working collective of young engineers and designers was assembled here in the VUKOV scientific research institute. They quickly achieved good results. Stable and effective ties with their Soviet colleagues took shape. The first joint developments appeared. Taking this into account, it was namely here, on CSSR territory, that the Robot MNPO was created.

However, Voyevodin, the first deputy general director, arrived here only at the very end of 1986. Why?

It was because the start of operation of the international association is, unfortunately, thus far moving slowly. The Soviet payment was transferred into the joint financial fund only in September of last year. Only then did it become possible to send our specialists to Prague for permanent work. Until this time they were "visitors" here, who came on short trips.

Thirty-five Soviet specialists and their families came to Presov on a long-term basis. They came as full members of the overall collective. The Czechoslovakians accepted them gladly and provided them everything they

needed. Our specialists took up their work energetically and persistently. A businesslike environment was established in the joint collective, and friendship, fraternal cooperation and mutual assistance reigned.

What is Robot, what does it do and what is it confronting? It is a large and harmonious collective of designers, builders, and specialists on technology and start-up operations. They are USSR and CSSR citizens. The established size of the collective is 176 people of whom there should be 50 Soviet specialists. The CSSR Ministry of General Machine Building and USSR Minstankoprom [Ministry of the Machine Tool and Tool Building Industry] manage Robot.

A number of useful efforts have already been accomplished, the majority, understandably still with the participation of those Soviet specialists who came on short visits. One of them was awarded a Gold Medal at the international fair in Brno last year. Czechoslovakian newspapers have reported on the successes of MNPO.

It is clear to everyone that these are only the first steps. The goal of Robot is to participate widely in the technical reorganization of machine building in our country. For this it is to develop, create, produce and deliver robotic complexes and sections for machining of sheetmetal stamping and welding, and produce robots of modular design and automated transport systems. Essentially we are talking about a new joint accelerator of the scientific and technological progress of Czechoslovakia, the Soviet Union, and the entire socialist community. Our governments are pointing Robot to fill precisely this role.

"It would seem that the groundwork has been laid," states Vladimir Mikhaylovich. "Alas, it has been a difficult beginning. And it brought to light a number of serious problems which are sharply retarding the establishment of the new enterprise.

"Only very recently this spring was the matter resolved of allocating Robot its own experimental production base. Therefore, only right now are proposals being made for the technical reorganization of the enterprises, and, moreover, it is still not known from what funds these projects are to be financed. 'The lack of funds for equipment is holding back the preparation of pre-contract proposals and the conclusion of contracts with purchases,' it stated in the resolution of the April meeting of the Soviet specialists working at Robot. At this meeting its participants stated that no uniform technical policy is sensed in the association and the solution of cadre questions is being dragged out. Suddenly it came to light that no one had signed and the MNPO had not approved working plans and project completion schedules. There are no competent specialists in the planning department, and the plan for 1988 contains only an over-expenditure notation, which does not reflect the prospects of the research efforts..."

Today, as in December when Voyevodin arrived, certain questions of material and technical supply, the foreign trade activity of Robot, and the organization of operational trips of his Soviet co-workers to Soviet enterprises working in the association also remain unsolved. It goes without



saying that there is incomplete work on both sides. It is the child of both. In both countries there are still obsolete statutes and instructions, and there are also others which, although entirely suitable for "internal consumption," judging by everything are not adaptable to international collectives. Various problems of a social and everyday nature also must be solved. It is enough to say that at Robot a procedure for payment for sick-leave certificates to the Soviet specialists is in effect that was established here almost 30 years ago. It hardly needs to be proven that the situation at that time did not even anticipate the emergence of unified collectives and international associations!

I heard here this assessment: "A difficult moment." Yes, it is not an easy time; it is a new undertaking. It goes without saying that it also gives rise to problems. "Everything, they say, cannot be anticipated." But the time is such that there will be more and more new projects, difficult moments and unexpected problems. It is necessary to meet them fully armed, to have a knack for this, and to be able to anticipate the unexpected.

Robot is a first endeavor in Czechoslovakia, and its fate will be an example for other enterprises that are thus far only being planned. The lessons of its start-up enable us to see how well we are prepared overall to initiate something truly new -- decisively, quickly and without obsolete red tape. To initiate it not only "from the top," but also at all other levels. The situation concerning Robot is also a test of the ability to operate according to the laws of acceleration, according to the laws of restructuring.

Back in January I was able to leaf through what was at the time the "latest" paper -- proposals by the MNPO general directors sent to their capitals to speed up matters: It read "no later than July," "by the beginning of September..." Is this not a long time, just the same, to finish deciding individual aspects of a matter that has already been decided by the governments? Dynamism with excess caution in the end has an effect on the main issue: Thus far there have been very few new and interesting research efforts. They have not yet "come." We should not flatter ourselves with the Gold Medal received in Brno. It is time, it is already time to move to the highest scientific-technological, engineering and production level. It is necessary to settle all the unfinished matters and produce.

In Nitra, also a Slovakian city, known for its agricultural science, recently a joint Czechoslovakian-Soviet biotechnology laboratory was ceremoniously opened. Of course, the area of specialization is different, it is another science, and the scale is not the same. Not everything is comparable. But the fact is that many questions that Robot so far cannot overcome have been quite satisfactorily solved in Nitra -- calmly, in advance. That is, they anticipated everything.

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CSO: 1825/203

BULGARIAN-SOVIET JOINT ENTERPRISE IN HEAVY MACHINE BUILDING

Moscow EKONOMICHESKAYA GAZETA in Russian No 22, May 87 p 21

[Article by V. Zhuravlyev: "Toward Joint Production"; first paragraph is source introduction]

[Text] Voronezh--The Zemash special design and engineering office of Tyazheks imeni Comintern is a quarter century old. For almost 10 years the Voronezh excavator builders have been working in close contact with specialists of a Bulgarian heavy machine building combine in the city Ruse. The collaboration began in this way.

In 1976 the Comintern officials at the request of our Bulgarian friends sent them the technical documents for an ER-100 wheel excavating machine. Next, the Bulgarian machine builders were given several types of equipment and apparatus needed to gear up for quantity production of excavators.

Zemash specialists also went to Rus. There, together with their Bulgarian colleagues, they effected a modernization of the ER-100 excavator. For their part, the specialists from Voronezh did the wheel drive and the mechanization for transferring earth to the stand-by conveyor. They also simplified the boom construction and proposed a new kind of conveyor drive. In their turn, the Bulgarian specialists developed a new cab and improved the control panel. The ER-100 thus became a more reliable machine that was more efficient and easier to operate. Both parties profited from this. Our Bulgarian friends started up a facility for a new type of production, and the Comintern factory could then specialize production for making other types of machines. If this had not been done in those years, the Voronezh excavator builders would have had to invest hundreds of thousands of rubles to expand production capacities.

The creative collaboration between the Zemash special design and engineering office and the Ruse combine has been further expanded recently.

"The resolutions of the Party and State concerning measures to radically improve foreign economic activity have offered wide scope for further collaboration with foreign partners in the fields of production and science and technology," says A. G. Koron, general manager of Tyazheks. "This is especially so in the case of enterprises with direct contacts. It is now

simpler to mount a foreign trade mission of specialists. The various coordinations have been reduced, and more independence has been granted to enterprises. Thus, by agreement with the Bulgarian heavy machine building combine, we now run the exchange of specialists on a non-currency basis. If someone comes on a business trip, the host party takes care of the necessary paperwork and pays the person's maintenance costs in its national currency. The need for a business trip is determined by the general manager of the association.

"In October of last year an agreement was signed to establish a joint design office for developing a set of KOND-315 continuous operation equipment for work in quarries. Work has begun on the technical problems of the individual machines of the set with an eye to ensuring their ability to compete on the international market."

Koron adds, "The development of the KOND-315 equipment for continuous operation, on which specialists of our association will be working, has great significance. We are not only pooling the creative potential of both countries' specialists, but we will also then be able to organize joint production of such a necessary machine. It is conceivable that a joint Soviet-Bulgarian enterprise will be established in the future."

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CSO: 1825/204

## JOINT ENTERPRISE NO 1 REGISTERED

[Editorial report] Moscow IZVESTIYA in Russian 20 Jul 1987 p 1 announces the registration by the USSR Ministry of Finance of "Joint Enterprise No 1" in an article under this title. Author special correspondent F. Lukyanov reports the formation of Littara-Volanpak, a joint enterprise of the Lithuanian Littara Association in Vilnius and the Hungarian Volanpak Association in Budapest, according to documents signed on 22 April 1987. Volanpak, according to the author, exports three fourths of its packing materials, which are in wide demand on the European market, already has in operation a joint enterprise with FRG firms, and is negotiating the creation of a Hungarian-Austrian joint enterprise. Littara enterprises, while turning a million ruble profit each year, have "unused potentials, a high proportion of manual labor, much obsolete equipment, and designs for wooden and cardboard packaging which clearly do not lay claim to world standards."

Enterprise general director Albinas Milashyunas gives the following details about the new joint enterprise:

The fund account of the Soviet-Hungarian enterprise is still small -- 800,000 rubles. Of the capital 51 percent is Soviet, 49 percent Hungarian. Profit will be divided according to the initial contribution... Volanpak is supplying the technology, the latest Hungarian packaging equipment, and already programmed computers. Littara is supplying workers, the facilities, wood-processing equipment, raw materials, and other material.

According to the general director, an enterprise worker will receive 60 percent of his wages at a firmly fixed rate (about 200 rubles) and the remaining 40 percent as an additional payment for quality.

The author concludes the article by noting that this first joint enterprise has already begun operation and plans to start up production in the second half of 1987.



# CEMA-LATIN AMERICAN ECONOMIC SYSTEM TIES DISCUSSED

Moscow NEW TIMES in English No 28, 20 Jul 87 p 29

[Interview with Vyacheslav Sychev, secretary, Council for Mutual Economic Assistance (CMEA) by Boris Balkarev]

[Text]

**Q. Can you introduce CMEA's new partner?**

**A.** The Latin American Economic System was instituted in accordance with an international treaty known as the Panama Convention which was signed in October 1975. Twenty-six Latin American and Caribbean countries have acceded to this convention. The supreme body of the LAES, the Latin American Council, is composed of representatives of all the signatory states. The executive-administrative body, the Permanent Secretariat, has its headquarters in the Venezuelan capital of Caracas and is headed by a permanent secretary who is elected for a term of four years. Sebastian Alegrett of Venezuela currently holds this office. The purpose of the community is to promote economic and social progress in the region.

**Q. How do you interpret the interest shown by LAES in cooperation with the socialist countries?**

**A.** I think that only LAES can answer that question. According to reports, LAES experts met in Caracas last month. Sebastian Alegrett noted in his report at the meeting that promotion of relations with the socialist countries accorded with the LAES policy of reaching out to new markets in order to reduce the region's dependence on the U.S. and other Western countries, and to expand the range of Latin American exports. LAES seeks dependable partners with whom relations would be based on equality and mutual advantage, principles which, it was noted in the report, are championed by the CMEA states.

These arguments are understandable. For the Latin American countries the

choice of partners and free cooperation are matters of great concern. They have seen for themselves over the years that "aid" from Western monopolies really means the right to export profits, and is thus a considerable drain on financial resources. No wonder 5 LAES countries have the biggest external debts. Between 1977 and 1986 a total of 450 billion dollars was pumped out of Latin America in the form of various debt payments.

We all know how this is done. When in 1977 the issue of financial assistance for Peru from the International Monetary Fund was raised, the government in Lima was told to grant full freedom to foreign and national private business, abandon its policy of consolidating the public sector, devalue the national currency, and restructure the machinery of the state.

By cooperating with the socialist countries, LAES members reasonably expect to reduce their dependence on Western monopolies and hence strengthen national sovereignty. This cooperation will enable them to regulate their economic activities independently.

**Q. What grounds are there for believing this to be the case?**

**A.** Very considerable grounds. First, the socialist community extends credits on more advantageous terms. Second, these credits will be repaid by what the developing countries produce. In other words, the credits are geared directly to economic advancement and, in effect, preclude debt accumulation.

**Q. But how advantageous is it for CMEA countries to maintain such relations?**

A. Let me first note that the CMEA countries have never linked efforts to assist the developing countries with a desire to obtain unilateral economic or political advantage. They have always proceeded from mutual advantage. We are interested in the well-ordered development of international economic, scientific and technological ties, which is out of the question unless the gap in economic levels is gradually bridged and the economic and social backwardness of the developing countries, including those of Latin America, is overcome.

Of course, the CMEA countries want to export more and obtain more of the commodities they need, in this case not only traditional Latin American farm products, seafood and certain types of raw material, but also manufactured goods. Hence we think the comprehensive development of commercial, economic and scientific and technological ties with the Latin American states will pave the way for a rapid, stable growth of trade turnover between us.

**Q. What does the bilateral relationship amount to at this present stage of cooperation?**

A. It must be admitted that relations between CMEA and LAES have not been extensive in the past. CMEA countries account for just over 3 per cent of what

the Latin American and Caribbean countries export and for only one per cent of their imports. Nor does cooperation in the sphere of technology and equipment amount to much either. Hence there is a wide field for work. Addressing a working meeting of CMEA and LAES representatives in Caracas in late May, Sebastian Alegrè described the present phase as one of transition towards a new and higher level in the bilateral relationship. Let me add that we hold the same view.

**Q. Do you mean there will be some definite moves shortly?**

A. Yes. Besides signing the documents instituting an official relationship between CMEA and LAES, we coordinated in Caracas a tentative programme of action for 1987-88. We intend jointly to analyse the present relationship and, proceeding from this, to outline concrete prospects for its development. We also hope that this analysis will identify the more effective trends and forms of cooperation. It is also planned to establish a systematic exchange of economic information between the CMEA and LAES secretariats. However, the main thing is to implement what we have planned. As I see it, neither side is interested in delaying this transitional stage.

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CSO: 1812/258

USSR ACADEMICIAN ABALKIN APPRAISES JAPAN'S 'ECONOMIC MIRACLE'

PM311359 Moscow KOMSOMOLSKAYA PRAVDA in Russian 26 Jul 87 p 3

[Interview by correspondent Aleksandr Drozdov with L.I. Abalkin, corresponding member of the USSR Academy of Sciences and director of the USSR Academy of Sciences Economics Institute under the rubric "Business Assignment": "The Simple Wonders of 'Fuji Country'"; date and place of interview not specified; first paragraph is introduction]

[Text] L.I. Abalkin, corresponding member of the USSR Academy of Sciences and director of the USSR Academy of Sciences Economics Institute, has been in Tokyo at the invitation of the Association For Trade With the Soviet Union and the Countries of East Europe. Our own correspondent Aleksandr Drozdov talks with the distinguished Soviet scientist.

[Drozdov] One can judge Japan's interest in the process of the socio-economic restructuring of Soviet society if only from the attention the Japanese press has paid to you, Leonid Ivanovich. How would you characterize the essence of the Japanese interest in what is happening here at home; what do they see for themselves in the restructuring?

[Abalkin] Comparing my previous trip to Japan, which took place 5 years ago, with the present trip, I must say that Japan did not previously have this desire to understand our transformations--in the economic sphere above all. I would explain this by the scale of what we have outlined.

The questions the Japanese asked me could be divided into two groups. One is linked with the interpretation of the social consequences of restructuring. Very often, almost at every meeting, I was asked: Won't the development of market relations in the Soviet Union and the introduction of full economic accountability [khozraschet] and self-financing lead to our society's degeneration into a capitalist society? How will this affect the structure of society, the social processes, and the state's political line? These questions are not surprising and, on the whole, are traditional. At the basis of this approach lies the idea--fairly widely disseminated in the mass consciousness--that only capitalism and private enterprise can ensure high economic efficiency, and therefore any country which wants to attain success in this sphere must inevitably take the capitalist path of development. But the fact that commodity relations

and the market are phenomena which took shape long before capitalism and which in themselves do not have any capitalist substance is poorly grasped by the average Westerner.

The questions I would include in the second group were more specific. How will the price system function in the USSR under the new conditions and what rights will the enterprise acquire after the adoption of the Law on the State Enterprise? It is characteristic that practically without exception my Japanese interlocutors proved to be familiar with the materials of the recent CPSU Central Committee June (1987) Plenum and the USSR Supreme Soviet session. Many turned directly to the text of the law adopted by the Supreme Soviet and asked questions about the specific conditions of its further practical application...

[Drozdov] From the results of your stay in Japan could you make a generalization as to how the Japanese would like to see their Soviet neighbor?

[Abalkin] I well understand that Japan and the Japanese cannot be presented as some homogeneous mass which has a common opinion. Apparently, not everyone there is delighted by what is happening in the USSR. But if you speak about the objective logic of economic processes then, of course, Japan needs a restructured USSR. A country with a reorganized economy, with flexible forms of management, better adapted for creating joint enterprises, for the mutual exchange of scientific and technical ideas and output, and for developing production cooperation. The Japanese, it seems, need the Soviet market--large-scale, capacious, and fast reacting to any changes. Local businessmen pondering the prospects for Japan's development acknowledge this.

[Drozdov] Recently the Japanese have quite often raised the question of how the West and Japan itself could help the Soviet Union to implement the economic reform. How do you relate to the possibility of our utilizing foreign economic experience in principle, and Japanese in particular?

[Abalkin] Our economy and the restructuring as a whole are open to receive any progressive experience, whatever its origin--capitalist or socialist. Everything which facilitates economic progress and ensures high efficiency and quality and the achievement of new parameters of economic development must be studied carefully and not rejected out of hand. But mechanical imitation and the direct transfer of foreign experience, even if this concerns countries with similar social conditions, is, evidently, unacceptable.

And now for the Japanese experience. One can't fail to see the tremendous progress this country has achieved during the postwar period. The phenomenon of Japan's development has received the popular definition of an "economic miracle." More strictly it could be qualified as one of the greatest phenomena in world economics in recent decades. Japan's emergence into the front ranks in the most modern sectors, the swift growth of labor productivity, and its successes in saturating the domestic market and in developing world ties--these are impressive achievements. Given again the proviso about the specific character of foreign experience and its uniqueness in



the majority of cases, I will stress that the formulation of Japan's national economic development strategy is above all of tremendous interest. No other capitalist country, I suppose, has such a flexible, well-conceived means of molding long-term goals calculated not merely for immediate effect--maximizing profits over a period of 1-2 years, for instance. No, we are talking about a strategy for resolving large-scale tasks.

I think their experience of organizing production at large enterprises deserves our complete attention. In particular the experience of combining large-scale, mass, highly organized production with dozens, hundreds of small supplier-enterprises which provide the unified technological cycle with various types of complete sets of items and components for subsequent assembly. For this, while ensuring high efficiency, enables small collectives to be drawn into the orbit of active economic activity--and not only in the major cities but in small towns and even villages.

[Drozdov] Leonid Ivanovich, how would you explain the reasons for Japan's rapid postwar development? Are there some other factors, in addition to the economic ones, which have facilitated this country's advancement into the group of world leaders? We journalists are often reproached with the fact that we are carried away with seeking the explanation in the national character and the peculiarities of the Japanese mentality, and in the specific character of their way of life, that is, in something which cannot supposedly have any bearing on serious analysis.

[Abalkin] Generalist economists and Japan specialists are constantly aware of this question. I don't regard myself as a Japanologist, so I ask you to regard my answer as merely the sum total of my observations.

In my opinion you cannot explain the Japan effect by economic reasons--or at any rate by them alone. More complex factors exist, and we are incidentally also learning today to view economic development in our own country not only with the professional gaze of the economist but also with consideration of the entire complex of the linked spheres of life: political, social, historical heritage, and so on. Otherwise it is impossible to understand and explain modern society. This is true of any country.

In order to understand the "Japanese miracle" it would, in my opinion, be appropriate to turn to Lenin's analysis of the development of imperialism in general and that of the national capitalisms, which within the framework of this social system can differ substantially from one another. Lenin's idea that a country which joins the path of imperialist development later thereby acquires additional stimuli, inasmuch as from the very beginning it can mold production on the basis of what has already been developed by the experience of other countries, is a noteworthy one. Japan, as is well known, actively resorted to this method.

On the whole there are many reasons, and they must be analyzed in close connection with one another, with attention given here to the opinion of specialists.

[Drozdev] And here is the traditional last question: What are your most vivid impressions from your trip to Japan?

[Abalkin] I cannot fail to talk about the condition of economic science in Japan. In my opinion its applied sector has been organized in a simply excellent fashion. That is, everything connected with elaborating the questions of production organization, management efficiency, ensuring quality, and organizing the banking and finance system. But it seems to me that there are deficiencies in fundamental research. For example, there is a marked underestimation of the significance of elaborating general economic approaches, that is, of what we understand as the politicoeconomic concept of development. It also seems to me that the Japanese somewhat overlook the importance of exposing the general laws of world economic development. In other words, Japan is working successfully in the practical area of economic research, but its reserves in the sphere of economic science are still far from completely operational.

Now for my general impressions... I can well imagine from books and the press that Japan is today undergoing a by no means simple period in its development. And this must be taken into consideration when making evaluations. Nevertheless the Japanese economy's dynamism is impressive, and over a protracted period of time at that. It is absolutely clear that this is no short-lived surge but a long-term phase of development, although I cannot forecast in advance the stability of this process.

[Drozdev] After the conversation was over and the tape recorder had been switched off, Leonid Ivanovich got up, paced around the room, and then uttered a sentence which could, probably, be used as the epigraph for our interview.

[Abalkin] As regards our general perception of Japan, it has long been time to shift from merely tourist "impressions" to scientific analysis and generalizations!

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CSO: 1825/232

DPRK ARMY TO DEMOBILIZE 100,000 SERVICEMEN

PM040857 Moscow PRAVDA in Russian 1 Aug 87 Second Edition p 5

[TASS report: "Principled Position"]

[Text] Pyongyang, 31 Jul--The Korean People's Army Supreme Command has issued an order to demobilize 100,000 officers and soldiers from personnel of the various branches and categories of troops of the Korean People's Army by the end of December 1987. They will be directed into construction of national economic projects. This is stated in a report of the Korean People's Army Supreme Command disseminated by the Korean Central News Agency today.

Guided by the desire to secure general and complete disarmament, eliminate the danger of war, and accelerate the process of Korea's peaceful unification, the DPRK has demonstrated a principled position. It recently advanced a proposal for the phased reduction of the armed forces of North and South Korea, the gradual withdrawal of U.S. troops from South Korea together with their nuclear weapons, and the elimination of the U.S. military bases in the south of the Korean Peninsula. The report points out that ensuring military parity exclusively by reducing arms and implementing full disarmament will result in the elimination of dangerous military confrontation on the Korean Peninsula.

The report by the Korean People's Army Supreme Command emphasizes that the DPRK expects the United States and the South Korean authorities not to take improper advantage of the military imbalance arising as a result of a unilateral reduction in the DPRK armed forces but to take seriously the peace-loving step of the republic's government and follow its example.

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CSO: 1807/388

PRC EMERGENCY MEASURES TO CUT UNEMPLOYMENT NOTED

PM041348 Moscow PRAVDA in Russian 4 Aug 87 Second Edition p 5

[TASS report: "Emergency Measures Elaborated"]

[Text] Beijing, 3 Aug--The PRC Ministry of Labor and Personnel has elaborated emergency measures to provide jobs for the urban population of the country through the year 1990.

About 14 percent of the country's population of more than a billion lives in China's cities and settlements. For a number of reasons, mainly economic and demographic, the number reaching working age is constantly in excess of the number of jobs which the state can offer them. In the late seventies, that is, after the "cultural revolution" which did grave damage to the national economy, the problem of jobs was particularly acute.

The reforms carried out in the PRC have shown that the best results for creating new jobs in the country are provided by increasing the number of enterprises in the collective and individual sectors, mainly in the "third industry"--as China calls the service sphere. Its development made it possible in the period 1979-1986 to find jobs for more than 60 million people and to secure a reduction in the number of people awaiting work from 5.9 percent to 2 percent.

The emergency measures elaborated by the ministry provide for the creation of about 1 million jobs annually. Chinese specialists believe that this will make it possible to prepare the conditions for the final solution to the problem of jobs for the population--one of the most serious problems in the PRC's economy.

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CS0: 1807/390



U.S. BLAMED FOR ISRAELI SILENCE ON ANTI-JEWISH ACTS IN IRAN

TA041632 Moscow Radio Peace and Progress in Hebrew 1630 GMT 2 Jun 87

[Unattributed commentary]

[Text] The Islamic Revolutionary Guards have perpetrated programs against the Jews of Tehran. As a pretext for the anti-semitic outburst the rumor was spread that during a Jewish wedding in one of the town's quarters the rabbi gave wine to the bride and groom, something that is banned by the Khomeyniistic regime. Altogether the Guards beat up more than 120 people, most of them women and children. Some of them were seriously wounded and hospitalized. Moreover, the extremist fanatics even found them in the hospital, took them to the police station, and beat them cruelly again. What was the reaction in Jerusalem? As is the custom to say, nothing at all. No practical step was taken to restrain the rioters, and not because Israel has no way of influencing the regime in Tehran. There certainly are ways. After all, it is Israel that acts as a channel for the transfer of U.S. weapons to the mullah's regime. No less than once a week a plane with Israeli weapons and ammunition for the Iranians takes off from Lod Airport. Heavy Israeli-made weapons also find their way to Iran through West Germany, Oman, and Pakistan.

Not long ago security sources in the West reported that trainers from Israel were teaching commando fighting methods [words indistinct] the Islamic Revolutionary Guards, who beat up innocent Jews in the streets of Tehran. If the Israeli Government decided to halt the shipment of weapons to Khomeyniists, there is no doubt this would be sufficient to warn those who are organizing the anti-Semitic incitement. As far as can be seen, it would be enough just to issue the threat. However, Jerusalem remained mum. Strange, is it not? After all, [words indistinct] of the rulers of Tehran, and not just because Khomeyni's mullahs are organizing pogroms. The main reason is that the Iranian regime is the only one in the world today that voices absolutely anti-semitic slogans officially and frankly, arousing among Jews [words indistinct] destroy them to the last man.

Again, there is nothing to say about the attitude toward Israel. From every podium, including international ones, they are demanding that the Jewish state be destroyed -- and anyone who thinks that such a fanatic regime can be trained by arms sales is mistaken. Tehran openly declares that the Iranians are prepared to purchase arms even from the devil himself, and when the time comes, if the Lord so desires, they will also use them against the salesmen.

Why, then, is Israeli aid to the Khomeyni regime continuing? Regrettably, the only explanation we have is that the Israeli leaders are not free to make their own policy; their decisions are not made in Jerusalem, but in Washington. The United States, of course, has a direct interest in [word indistinct] Tehran. This leads to a continuation of the Gulf War, increases tension in this area and in the Middle East in general, and, as the latest development indicates, enables the U.S. Administration to increase its military presence in the Gulf and reinforce its status in certain Arab countries. Because the administration, for obvious reasons, cannot arm the Khomeyniists, the task is laid upon the closest -- and as a result of this, also the most obedient -- ally; that is, the Israeli Government.

Here we see another aspect of the abasement of the Israeli services to U.S. imperialism. Washington is forcing the Israelis to kill and be killed in an endless war against the Arabs, blocking every path to a peaceful settlement in the Middle East. Washington imposes grandiose military programs on Israel that are undermining the foundations of its economy and damaging social welfare. Washington is forcing Israel to help reactionary regimes and terrorist gangs in various areas of the world, something which is seriously harming the Jewish state's status in the international arena. And now Israel, under U.S. orders, is also arming those who are organizing the pogroms against the Jews. The question simply is: To what further abasement is the strategic alliance with the United States likely to lead Israel?

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CSO: 4423/43

## U.S. CONGRESSMAN, INDIAN EDITOR DEBATE INDIAN-SOVIET TIES

### Congressman's Article

[Editorial Report] Moscow PRAVDA in Russian for 22 Jul 87 carries on page 4 a 700-word article attributed to U.S. Republican Congressman J. Courter. According to PRAVDA, Courter's article, entitled "India Has an Unusual Choice of Friends", was carried in the New York WALL STREET JOURNAL. Courter criticizes India's "obsession" with the threat it perceives from Pakistan and criticizes her close ties with the USSR. He notes that "New Delhi's misapprehensions about Pakistan" are only one part of its foreign policy and adds that "for a democracy, India has strange friends." Courter cites examples of India's relationship with Moscow, including bilateral trade and scientific cooperation, but points out that Soviet-Indian military cooperation is "the most troublesome." Courter concludes by saying that India, though prizing its own liberty, does not seem to recognize the security needs or political interests of countries "hard pressed" by the Soviet Union or East Europe.

### Indian Author's Rebuttal

Moscow PRAVDA in Russian 22 Jul 87 p 4

[Article by V.D. Chopra, editor of the Indian newspaper LINK: "Distortion of Facts--A Means of Disinformation"]

[Text] Facts are a sacred thing for an objective analysis, both in the sphere of science and of politics. When facts are distorted, they are transformed into half-truths, and half-truths are worse than lies. Half-truths and distorted facts become in such a way new means of disinformation. It is precisely this, lightly speaking, with which Mr. James Courter, Republican congressman from the state of New Jersey, is occupied in his article.

First of all, in talking about "India's obsession about the threat from Pakistan", the Indian position on Nicaragua and Angola and its friendship with Cuba, it is necessary to remember a few historical facts, in order to put everything in its proper place.

The current policy of nonalignment, anti-imperialism and self-security carried out by India has its roots in the many years of the national liberation struggle. Not one objectively thinking historian can ignore this fact. Despite the tendency which exists in certain political circles of Western countries to belittle the role of Jawaharlal Nehru and Indira Gandhi in the construction of modern India, no one can deny that they were great patriots. In search of ways and means for the development and modernization of India, they placed the interest of their country and the world community first.

Soon after the liberation from British colonial rule, our ancient country set out on the path of consolidating independence and strengthening it by means of the struggle for peace. In never stood on the sidelines in the struggle of other colonial peoples for their freedom. This irritated the creators of U.S. policy.

In the beginning of the 1950's, Indian public opinion was indignant over the cruel methods of the U.S. in its war in Korea, just as it is today over American interference in Nicaragua and Angola. In the complicated situation at the time, in all domestic and international fora, Jawaharlal Nehru again and again came forward with a suggestion for a peaceful resolution of the conflict in Asia. And today, under other historical conditions, Indian Prime Minister Rajiv Gandhi is carrying out the same policy.

The Americans looked at India's new policy, taking shape at the beginning of the 1950's and based on independent evaluations and sovereignty, with ill will and distrust. On 28 August 1951 the NEW YORK DAILY MIRROR accused J. Nehru of "Asiatic intrigues" stating that "India, headed by Nehru, is one of the enemies of our country." More than anything, Washington was worried that "Jawaharlal Nehru is rapidly turning into one of the greatest nuisances of the post-war era" because he was trying to create a "third force, located between the dominant forces of the time--communism, headed by Russia, and democracy, whose main defender is the U.S."

And today, almost 36 years after the above-mentioned utterances of Washington's "wise men" against our country, similar accusations are being made. The phraseology is different but the meaning is the same. The Indians have not forgotten what Mahatma Gandhi, the father of our nation, wrote on 25 April 1942 in the newspaper HARIJAN.

"We know", he indicated, "what U.S. aid means. In the final account it leads to American influence, if not dominance, in addition to the British."

India is not only the largest of the former British colonies, but as a result of internal and foreign policies, carried out by J. Nehru and then continued by Indira Gandhi, it is an important political and economic factor in the current international arena. Although the liquidation of the traces of the colonial past in India is being implemented slowly, with difficulty and sometimes with contradictions, an irreversible process of social-economic transformation is taking place here.

This process influences the character of development of not only the countries of the "third world", but also of other states. That is why, in order to turn India away from this course, subversive activities are being carried out against it, attempts to destabilize the situation are being adopted. If inside the country support is being rendered to the forces of separatism, then outside, in order to blackmail and pressure India, Pakistan is being armed with modern weapons. In December 1953 Richard Nixon stated, speaking in Karachi, that the arming of Pakistan was necessary for "holding back the might and influence of India in the region, as a counterweight to the neutralism of Nehru." In the opinion



of another American expert, "the final goal has partially been achieved; that is, American weapons has already led to unnatural dangerously explosive changes in the balance of forces on the subcontinent." This was long before the introduction of Soviet troops into Afghanistan.

In retrospect, the powerful weapon for destabilizing the situation in this region is the tension in mutual relations between India and Pakistan and India and Sri Lanka. Directly or indirectly, Washington has been involved in exacerbating the tension, while at the same time Delhi is proposing one initiative after another to lessen it. But the Washington "wise men" do not want to see the objective reality.

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## INDIA-USSR CONSULAR CONVENTION RENEWED

[Editorial Report] Moscow VEDEMOSTI VERKHOVNOGO SOVETA SOYUZA SOVETSKIKH SOTSIALISTICHESKIKH RESPUBLIK in Russian No 29 for 22 Jul 87 carries on pages 535-552 the text of a consular convention between the USSR and India. The convention consists of 45 articles divided into the following five sections: definitions, opening of consular establishments and designation of workers of consular establishments, privileges and immunities, consular functions and concluding resolutions. The convention was signed on 27 November 1986 in New Delhi by USSR Foreign Minister E.A. Shevardnadze and Indian Minister of External Affairs N.D. Tiwari. The Presidium of the USSR Supreme Soviet ratified the convention on 3 June 1987 and the Republic of India on 27 April 1987. Documents on the ratification were exchanged in Moscow on 5 June 1987.

CSO: 1807/393

SOVIET POLITICAL OFFICER'S WORK IN DRA DESCRIBED

PM141301 Moscow KRASNAYA ZVEZDA in Russian 11 Jul 87 Second Edition p 4

[Captain I. Korotkikh dispatch under rubric "Political Worker: Duties and Personality": "Fighting Without Shots"]

[Excerpts] Limited Contingent of Soviet Troops in Afghanistan -- In the northern province of Qonduz, as in Afghanistan's other provinces, the difficult process of national reconciliation carried out by the PDPA and the revolutionary government is gathering strength every day. Soviet friends, especially political workers, provide great assistance to Afghan activists. Our story is about one of the former -- Communist and holder of the Order of the Red Star Senior Lieutenant Shukhrat Sirozhiddinov.

In 2 years' service in the country the senior lieutenant has repeatedly met with the local inhabitants of remote villages. Shukhrat has a perfect command of Dari and a deep knowledge of the traditions and customs of the Afghan people and the numerous tribes and clans. He also knew how to find a common language both with simple peasants and with venerable elders. Although all this is extremely difficult. And this is why.

The enemies of the revolution are doing everything they can to denigrate Soviet-Afghan friendship and to present the USSR and our troops' assistance in a distorted way, and Soviet people as cruel and perfidious. More than 50 Western radio stations work for the Afghan counterrevolution. The volume of broadcasting has increased 30 times over the last 5 years and totals 110 hours per week. The illiterate Afghan peasants have a single link with the outside world -- the radio. And day in, day out hostile radio voices ensnare their consciousness with malicious propaganda. That is why sometimes, like, apparently, today, the inhabitants of remote villages show a prejudiced attitude toward representatives of the central authorities, Afghan Army soldiers, and people's militiamen, and they sometimes picture Soviet people in an altogether inhuman light. They await in horror the atrocities and executions of women, old men, and children predicted by the bandits and are even afraid to go out of their houses.

Shukhrat crossed a narrow slab over an irrigation canal and headed down an alley toward the square. When he had left the first houses behind, he again raised the megaphone to his lips:

"Esteemed people, we have come in peace. We want to talk with your elders and with you..."

The meeting with the peasants lasted a long time. The soldiers generously shared their food, offered simple gifts. and organized an impromptu concert in farewell. They left confident they had left friends here.

However, meetings were not always so successful. During one an unusual circumstance did not escape the senior lieutenant's attention: The first to strike up conversation with him was not the mullah, nor the elders, as is the custom, but a comparatively young man. Without wasting time on the usual questions about health and success, as traditions demand, he began to speak about problems about which simple peasants are poorly versed: the talks in Geneva between the DRA and Pakistan, the U.S. position... He did not hide his irritation, and the inhabitants were discreetly silent, watching intently to see who would conquer who in this duel. Anything could have happened. An unconvincing argument, even the slightest grounds for distrust could have triggered an explosion of bad feeling, and weapons could have chattered into life.

So the conversation between them was like a battle. Sirozhiddinov spoke calmly and thoroughly. He captured his interlocutor's interest with a tale about how Soviet power was established on the territory of our present Central Asian republics, and what it had brought people. Then he described the PDPA's measures to involve broad strata of the population in state organs, including former dushmans who have laid down their weapons, and he cited figures illustrating the scale of state assistance to ordinary people. And he finished with a tale about his own family.

"My grandparents and great grandparents were simple peasants," Shukhrat said. "Would my father have become a scientist and poet had it not been for the people's power? There were five brothers in my family: Anvar, a militia officer, Akhmal, a teacher, Ukhtam, an engineer, Khatam, a university student, and me, a philologist by profession. Our future is bright. How can I, an ordinary man, not wish such good fortune for you working people?"

As he spoke he sensed distrust fading from people's faces and sharp flashes of hostility dying away in the eyes of his interlocutor, who later turned out to be the leader of the Badin gang.

Shukhrat won this battle. Yet they both won. Because soon Badin firmly embarked on the new road. He formed a self-defense detachment and courageously repulsed the gangs in Qonduz Province opposing national reconciliation.

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CSO: 1807/382



TEHRAN'S CLAIMS TO CENTRAL ASIA, GEORGIA CALLED ABSURD

Tbilisi ZARYA VOSTOKA in Russian 26 May 87 p 3

[Unattributed article: "Tehran--the Capital of Georgia?"]

[Text] Under the above headline MOSKOVSKIYE NOVOSTI for 24 May published an article by Nikolay Valentinov which says: "The newspaper JOMHORI ISLAMI (ISLAMIC REPUBLIC), published in Tehran and close to the government, stated that apparently Iran views the Soviet republics of Tajikistan, Turkmenia, Uzbekistan and parts of Georgia as 'its national territory which should be liberated' because 'these territories were seized from Persia by tsarist Russia'."

Having commented on the absurdity of these fabrications of the Iranian newspaper, Nikolay Valentinov writes in conclusion that "according to the opinion of the West German magazine DER SPIEGEL, the item in JOMHORI ISLAMI reflects Tehran's dissatisfaction with the Soviet position on the Iran-Iraq conflict. What, however, was able to give rise to this dissatisfaction? The USSR, like many other countries, considers the war senseless and unnecessary and calls for a peaceful political settlement of the conflict. But perhaps such a position is hostile to the interests of the Iranian people? Perhaps an end to the bloody war promises them grief and harm?

However, other reasons for the appearance of this item in the Tehran paper are more plausible. It is worth it for the authors, who wanted to sow hatred for the Soviet people among the Iranian people, using artificially created enmity for their own narrow mercenary interests.

Currently an obvious anti-Soviet campaign is being trumped up in the Iranian press. Thus, the appearance of the above mentioned item does not look accidental."

CSO: 1807/384

NEAR EAST & SOUTH ASIA

BRIEF

HYDROPOWER COMPLEX FOR INDIA--A general agreement for the construction in India of the Tehri hydropower complex has been signed in Moscow by the Soviet foreign trade association Tekhnopromeksport and the Indian Ministry of Energy. The Tehri complex will be one of the biggest projects of Soviet-Indian economic cooperation. Tekhnopromeksport will build in Uttar Pradesh State two turnkey project hydrostations, one pumped storage station, and power lines. [Text] [Moscow Domestic Service in Russian 2230 GMT 5 Jul 87 LD]

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